FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No.

Wednesday May 14 1986

D 8523 B

US: tax reform's unstoppable momentum, Page 24

World news | Business summary

US hopes to launch shuttle next year

The US hopes to resume by July 1987 the space shuttle flights suspended since the explosion last January of the space shuttle Challenger, said new Nasa chief James Fletcher.

Since the Challenger explosion, the US space programme has suffered a series of disasters, failing repeatedly in efforts to launch satellites with unmanned rockets.

Fletcher, sworn in for a second term as administrator, said he had ordered a complete review of space agency operations in an effort to correct management problems. Costs of failure, Page 28

Nominees for Fed

President Reagan nominated Manuel Johnson to succeed Preston Martin as vice chairman of the Federal Reserve Board and Robert Heller, Bank of America's top international economist, to fill a vacancy on the board. News analysis, Page 6

Bonn backs US

West German leaders agreed to back a controversial US plan to produce a new generation of chemical weapons and said they were confident it would be endorsed by other European Nato allies.

Argentines raided

West German police raided the Argentine naval mission in Hamburg on suspicion of illegal arms exports during and after the Falklands war with Britain.

Libyan boycott

Col Muammer Gadaffi has urged Libyans to do without Western goods and says his country will stop importing dairy produce and industrial goods from Europe. Earlier, Italy expelled a Libyan diplomat from Palermo. Page 3

India urges peace

India's new Foreign Minister, Shiv Shankar, called on Sri Lanka to seek a political rather than a military solution to its bloody ethnic conflict.

Extradition call

Britain's Secretary of State for Northern Ireland, Tom King, urged the US Senate to approve a new UK-US extradition treaty, saying it would be a logical consequence of the Tokyo summit's stand against terrorism. Page 6

Aid team pulls out

World Vision, one of the biggest private aid agencies working among Ethiopia's famine victims, has pulled its workers out of Tigray province following increased threats from anti-government rebels.

Kuwaiti warning

Kuwait has served notice on Western financial markets that it is reviewing the spread of its huge foreign assets and may shift funds to communist states and the Third World.

Secret talks

President Corazon Aquino of the Philippines said secret low-level talks were under way with communist insurgents, but there was no ceasefire yet.

Torture claim

Two Libyans before the Turkish state security court charged with trying to bomb an American club in Ankara, said their pre-trial statements were extracted under torture.

Israelis wounded

Three Israeli civilians were wounded when guerrillas in south Lebanon fired Katyusha rockets into Galilee as Israel mourned its war dead in annual memorial ceremonies.

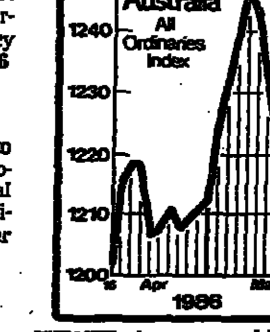
Ford UK profits recover to £160m

FORD of Britain, UK subsidiary of the US motor group, has halted a five-year downward slide in profitability by boosting taxable profits from £60m in 1984 to £160m ($246m) last year. The US parent will receive a dividend of £100m – only its second dividend in six years. Page 26

WALL STREET: The Dow Jones industrial average closed 1.99 down at 1,785.34. Page 50

LONDON was buoyed by renewed takeover activity. The FT Ordinary index recovered 10.7 to 1,341.2. Gilts revived after early losses. Page 50

TOKYO moved lower pending a clearer view of exchange rates and the Nikkei average lost 122.97 to 15,982.26. Page 50



SYDNEY shares were hit by current account figures although takeovers still featured. The All Ordinaries index lost 16.3 to 1,201.8. Page 50

DOLLAR rose in London to DM 2.196 (DM 2.174), SFr 1.8255 (SFr 1.8025); FFr 7.0 (FFr 6.9225) and Y162.80 (Y161.05). On Bank of England figures the dollar's exchange rate index rose from 112.6 to 112.9 Page 43

STERLING fell in London to $1.5345 ($1.546). It rose to DM 3.37 (DM 3.36), SFr 2.8 (SFr 2.7875); FFr 10.7425 (FFr 10.7025) and Y249.75 (Y249.0). The pound's exchange rate index rose to 76.1 from 76.0. Page 43

GOLD fell $2.24 an ounce in the London bullion market to close at $343.00. It also fell in Zurich to $344.00 from $345.45. Page 42

US retail stores' profits forged ahead in the first quarter, with J. C. Penney boosting net earnings 73.1 per cent to $87m and The Limited gaining 47 per cent to $31.4m. Page 27

TEXACO, third-largest US oil group, said first-quarter earnings this year of $328m were unlikely to be matched until crude oil prices recover to more reasonable levels. Page 27

KRAUSS MAFFEI, West German armaments and transport group, said it could break even this year "only with the greatest effort" following a collapse in orders for tanks. Page 27

AKZO AND DU PONT have failed to reach a negotiated settlement of a long and costly legal battle over patents for their super-strong aramid fibres. Page 3

SCHERING, West German chemicals and pharmaceuticals concern, achieved record group profits in 1985 of DM 173m ($79.7m), up 17 per cent, and expects a satisfactory result this year. Page 28

BARCLAYS BANK of the UK plans to set up an integrated securities operation in Tokyo jointly with an as yet unnamed British partner. Page 27

NEDLLOYD, Dutch shipping, energy and transport group, warned that its profits this year could be halved from the 1985 figure of Fl 143m ($58.4m) and said it was cutting back its deep sea shipping activities to less than half of total assets. Page 27

HESSISCHE Landesbank, the West German bank, said strong earnings from own account trading helped it lift net profits from DM 51.6m to DM 59m ($27.2m) last year. Page 27

MANNESMANN, leading West German producer of steel pipes and tubes, is cutting 6,500 jobs in its tubes division in a bid to stem heavy losses. Page 26

US concern over falling $ sparks sharp recovery

BY STEWART FLEMING IN WASHINGTON, GEORGE GRAHAM IN LONDON AND PAUL TAYLOR IN NEW YORK

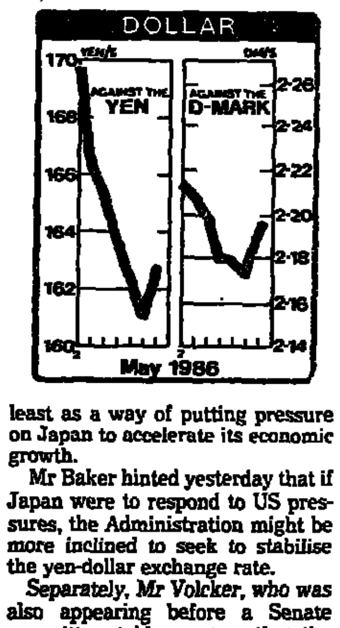
THE DOLLAR climbed sharply yesterday as foreign exchange markets sensed that the US authorities were becoming uneasy about the pace of the decline, particularly against the Yen.

Remarks by Mr James Baker, US Treasury Secretary, and Mr Paul Volcker, chairman of the Federal Reserve Board, who were testifying to congressional committees, started a bout of dollar buying from nervous foreign exchange dealers.

The markets interpreted the remarks as indicating a greater readiness on the part of the US to try to stabilise the dollar if US partners, in particular Japan and West Germany, responded to previous calls by Mr Baker and Mr Volcker to speed their economic growth. Dealers drove the dollar up by 2½ pfennigs in the last hour of London trading.

In response to questioning during a congressional hearing, Mr Baker repeated his longstanding position that the US has no target for the dollar, but went on to add: "We are somewhat concerned about the unwarranted interpretation that the market attaches to that statement."

The market's earlier interpretation had been that Mr Baker has wanted the dollar to fall further, particularly against the yen, not



least as a way of putting pressure on Japan to accelerate its economic growth.

Mr Baker hinted yesterday that if Japan were to respond to US pressures, the Administration might be more inclined to seek to stabilise the yen-dollar exchange rate.

Separately, Mr Volcker, who was also appearing before a Senate committee, told reporters that the outlook for inflation in the US would be good even if low oil prices were not helping to subdue price pressures.

"Energy prices (push) down the price index but I do not think we would have a lot of inflation, even without the energy price fall," he said.

The remarks by the two officials at a time when, with oil prices rebounding, Wall Street has begun to worry about the inflationary impact of a dollar decline, helped to stabilise markets which have been nervously watching bond prices retreat over the past few weeks as the dollar fell to new lows against the yen and weakened significantly against the D-Mark.

The dollar fell back slightly from its peak of DM 2.202 to close in London at DM 2.196, a gain of 2.2 pfennigs on the day, and at Y162.8, up 1¾ yen. Sterling lost 1.15 cents against the dollar, closing in London at $1.5345.

In New York, the dollar, which fell briefly below Y160 on Monday, rallied strongly, jumping almost Y3 before settling back to Y162.95 at midday.

The steadier dollar also helped to reverse the recent sharp slide in US credit markets where dealers, still holding sizeable chunks of the $27bn in new government securities auctioned last week, have grown increasingly concerned that a further

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Profile, Page 6; EEC capital liberalisation; Page 26; Money markets, Page 43

Moscow says Chernobyl crisis is over

BY PATRICK COCKBURN IN MOSCOW

THE Soviet Union has officially told Western ambassadors in Moscow that there is no longer a leak of radioactivity from the Chernobyl nuclear power station.

The Soviet Government clearly wants to stress that the Chernobyl crisis is over while also admitting that the results of the April 26 accident were potentially far more catastrophic than was admitted for two weeks after it happened.

Soviet television said last night that Mr Mikhail Gorbachev is to address the Soviet people tonight. If, as is presumed, his speech is devoted to Chernobyl, it will be the first time he has spoken publicly of the accident.

The assurances to ambassadors were given by Mr Boris Shcherbina, head of the commission investigating the accident who said that, as of yesterday, no more radioactive leaks were coming from the reactor. Dr Yevgeny Velikhov, vice president of the Academy of Sciences and in charge of the clean-up operations at Chernobyl was reported yesterday by Pravad, the Communist Party daily, as saying that for 10 days after the accident he feared a meltdown of the reactor, which might have started to sink into the ground.

This is the first time that a senior Soviet official has admitted that a meltdown was possible. Dr Velikhov said the reactor could have contaminated water in the soil beneath the nuclear plant and the thousands of tonnes of sand, lead, boron and clay dropped on top of the reactor by helicopter had simply weakened its foundations.

Dr Velikhov said that the men working on the plant knew they could not afford to make a mistake. Eventually, water was pumped out from under the reactor, holes were drilled and a cooling zone was created which drew the heat away from the reactor. Preparations for its "burial" are in progress.

Some of those trying to neutralise the reactor "sometimes sacrificed their own lives and health," Dr Velikhov, who is at Chernobyl, told two Pravda special correspondents. Pravda said that bulldozers and drill operators were being brought in from Siberia, but there was still an acute need for drill operators, excavators and crane operators.

The reactor will now be sealed in concrete with a cooling system for hundreds of years until all radioactive material disintegrates, Dr Ivan Yemilianov, deputy head of the state atomic contruction company, confirmed yesterday in Moscow.

Dr Yemilianov, a chief designer of the Chernobyl type of RB MK-1,000 type plant, said he still had confidence in his design. He added that the two undamaged reactors at Chernobyl would be started up again as soon as the area was decontaminated.

Details and analysis, Page 2

Bonn gives spirited defence of mediaeval beer law

By Quentin Peel in Luxembourg

WEST GERMANY launched a die-hard defence in the European Court of Justice of its mediaeval law to preserve the purity of German beer, in a major test case for EEC common market regulations.

The European Commission maintains that the 16th century purity law – the *Reinheitsgebot* violates free trade within the Community. The response in Bonn has been a furious and emotional campaign to keep its high standards and by implication keep out the adulterated products of other member states.

West Germany was accused yesterday of creating "Japanese-style conditions in its beer market," when the case finally reached the full hearing in the European Court.

"It is quite obvious that the German law has a protectionist effect," Mr Jörn Sack, the Commission's counsel, declared.

The Commission charges that the Bavarian law of 1516, which allows only malted barley, hops, yeast and water to be included in beer, keeps the huge German beer market effectively closed to other EEC brews.

It even suggests a certain German cynicism, which allows German export beers to contain additives not allowed on the domestic market.

The German response yesterday was predictably forthright.

Mr Martin Seidel, the state advocate, said the Commission's aim to open German borders to beer containing artificial additives would create a real – if unquantifiable – danger to the beer-guzzling German consumer.

Speaking to a court unusually packed with West German journalists and brewery representatives, Mr Seidel produced a range of remarkable statistics on the importance of beer in the German diet, and the possible dangers of allowing additives to be used.

He said that 26.7 per cent of the average German male's daily intake of nutrition came from beer. If it was allowed to contain food additives, it would change the whole balance of such substances in the German diet.

German laws on food additives are based on the principle of general prohibition, with only those substances allowed which were proved to be harmless. He said the current list of additives allowed in German food totalled 480, but it would jump to 800 if the regulations were relaxed. "That would be tantamount to a serious increase in the risk to health."

Mr Seidel (his name is the same as a Bavarian beer tankard) said

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Chirac cuts short debate on asset-sales legislation

BY DAVID HOUSEGO IN PARIS

MR JACQUES CHIRAC, the French Prime Minister, last night decided to cut short debate in the National Assembly on the enabling legislation that will allow the Government to carry through its denationalisation programme and urgent economic measures by decree.

The Prime Minister's move came after the bill had been three weeks in the Assembly and the Government had come under criticism from its followers for moving too slowly in implementing its election pledges.

Mr Chirac took advantage of an article in the Constitution that allows the Government to cut short debate by making a bill an issue of confidence. The legislation, which provides for the privatisation of 65 banks, insurance companies and industrial groups, will now pass through the Assembly without further change unless the opposition can gain sufficient support for a vote of censure.

Earlier Mr Chirac told a business audience that the Government would give a "certain priority" to selling insurance and industrial groups before banks and that there could be some "good surprises" over the speed of denationalisation. He declared as well that he was "not a partisan" of the British concept of the state maintaining a "golden share" in denationalised groups to preserve a right of veto – thus virtually disowning recent remarks by Mr Camille Cabana, his Minister for Privatisation.

Mr Chirac also confirmed that the French authorities will announce a further round of interest rate cuts tomorrow. He did not provide details but interest rates on savings accounts are expected to be cut by about 1½ percentage points thus paving the way for a more modest reduction in banks' base lending rates.

Mr Edouard Balladur, the Finance Minister, also announced that there would be a further easing of foreign exchange controls within the "next few days." Though a major part of the foreign exchange restrictions have already been lifted, the new measures could give more leeway to businessmen in repatriating foreign exchange earnings or covering forward – while further relaxing the controls on tourist allowances.

The Government's downward pressure on interest rates follows a report this week by Insee, the state statistics institute, which blamed high real interest rates in France as the main obstacle to a pick up in investment.

Mr Chirac's remarks on privatisation followed comments by senior French bankers that the rise in bourse prices and the volume of liquidity available on the French market could allow the Government to sell the leading state-owned insurance groups and industries – more sought after by investors than the bulk of the banks – within a couple of years.

Mr Antoine Bernheim, a director of Lazard Fréres, the merchant bank, told the same meeting that it was "now or never" as in "two or three years the market could dip downwards and nobody will want anything."

Holmes à Court raises BHP bid

BY LACHLAN DRUMMOND IN SYDNEY

MR ROBERT Holmes à Court, the Perth-based investor, yesterday launched a dramatic further attempt to wrest effective control of Broken Hill Proprietary (BHP), Australia's largest company, by raising his partial takeover bid to an extent which outran best market expectations.

His new bid values the energy, mining and steel group at some A$11.5bn (US$8.6bn). Mr Holmes à Court's Bell Resources is offering A$9.20 a share – an increase of A$1.50 on the price of the previous offer unveiled in February.

Full acceptance would bring Bell close to 49 per cent of BHP. Bell has secured additional bank finance to back up a potential spending commitment of A$3.6bn after allowing for its existing entitlement to some 18.6 per cent of the target group.

The board of BHP remained unmoved, saying the offer – which comes back to A$9 ex-dividend – is still inadequate. "The bid is still seeking to gain control of the company for only part of its real worth."

However, a number of major institutional shareholders which had been dismissive of the offer at the earlier price, believed yesterday that the bid now had a good chance of success.

The revised bid, formally for half of each outstanding shareholding, came after the close of trading in the main exchanges, with BHP shares at A$7.50. In Perth, however, the shares traded at A$8.48 and in London BHP closed 21p up at 376p. Bell Resources lost 5p to 180p.

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Wall Street banker arrested

BY TERRY DODSWORTH IN NEW YORK

MR Dennis Levine, a leading Wall Street investment banker, was arrested yesterday and charged in a New York court with the obstruction of justice in connection with alleged insider trading activity.

The criminal action, which carries a possible prison sentence, followed only 24 hours after the Securities and Exchange Commission (SEC), in its largest-ever civil suit, accused Mr Levine of making profits of more than $12.6m through an alleged scheme to buy and sell securities based on non-public information.

According to the SEC, Mr Levine, who is 33 and was most recently employed as a managing director at Drexel Burnham Lambert, traded on inside information gained through his employment as an investment banker for a period of five years. The Commission complained that Mr Levine made illegitimate profits "as a result of his scheme to profit from the systematic betrayal of client confidences."

In the criminal action, brought by the US Attorney General's office in New York, Mr Levine is alleged to have coached a witness to lie to the SEC, and ordered documents concerning his alleged insider trading to be altered or destroyed.

The move against Mr Levine has caused a ripple of alarm on Wall Street, where he was a well-known and popular figure in the investment banking business.

Only a little over a week ago, the SEC settled a substantial claim against First Boston, one of the most prominent New York securities companies, under a formula in which the bank gave up alleged profits of $132,000 while accepting a civil penalty of about $264,000 without admitting or denying the charges. Some reports have also suggested that a further action against another Wall Street firm is currently in the pipeline, although the SEC itself refused to comment on the speculation yesterday.

Although the SEC has indicated that these moves do not suggest a systematic attack by the agency on potential insider trading by Wall Street executives, officials at the Commission concede that in a period of hectic takeover activity such as the US has experienced recently there tends to be an increase of illegitimate trading activity.

In the SEC action for a preliminary injunction, due to be heard on May 22, Mr Levine is alleged to have used non-public information to trade in the stock of at least 54 companies since May 1980. During this period, he worked for a total of four Wall Street firms, none of which was named in the suit. These include Smith Barney, Lehman Brothers, Kuhn Loeb, and Shearson Lehman Brothers. At Drexel Burnham, which has said it will co-operate thoroughly with the SEC investigation.

The SEC has also charged Mr Bernhard Meier, Mr Levine's Bahamian broker, in the insider trading scheme.

CONTENTS

Norwegian economic crisis is worst for years, says PM

BY KEVIN DONE, NORDIC CORRESPONDENT, IN OSLO

NORWAY is in its "most serious economic crisis for many years," Mrs Gro Harlem Brundtland, the country's new Labour Prime Minister, told members of parliament yesterday.

In the Government's formal declaration of policy after taking office last week Mrs Brundtland said Norway faced far-reaching current account problems and the nation was living with a level of consumption it could no longer afford.

She gave no details of austerity measures the Government is planning as part of its prices package to follow Sunday's 12 per cent devaluation of the krone, but speculation is growing in Oslo that the Administration will be forced to resort sooner or later to formal controls on prices and incomes.

Many economists believe the devaluation will lead to a much bigger jump in the inflation rate than the additional 1 per cent in 1986 and 2 per cent in 1987 suggested by Mr Gunnar Berge, the new Finance Minister, at the weekend.

Mr Tormod Andreassen, chief economist at Christiania Bank, said government forecasts were optimistic. Even according to the official estimates, the inflation rate in Norway could be 8 per cent this year and up to 10 per cent in 1987, far above levels in competing countries.

The minority government has promised expenditure cuts and tax increases amounting to NKr 5bn-6bn (£500m-£600m) in a full year in the revised budget to be presented at the end of the month.

It faces a difficult balancing act in parliament, if it is to gain support for the crisis measures, however. Mrs Brundtland made a clear bid yesterday to win over the Centre Party and the Christian Peoples' Party, the two smaller members of the defeated Conservative-led coalition.

The government declaration appears particularly designed to win the support of the Centre Party with its promise of measures to strengthen regional and environmental policy and support the vital agriculture and fisheries sectors.

Mrs Brundtland said excessive pressures had built up in large parts of the Norwegian economy. "Our weakened competitiveness demands a much lower growth in private consumption."

The prospect of continuing low oil prices had intensified the problems facing Norway.

Share prices on the Oslo Stock Exchange fell back sharply yesterday after the strong rally on Monday triggered by the devaluation.

The market is bracing itself for tough steps in the budget, including a tightening of capital gains tax rules and the reintroduction of a turnover tax on share trading.

Patrick Cockburn assesses some of the political fallout from the disaster

Chernobyl tests Gorbachev openness policy

MR MIKHAIL GORBACHEV, the Soviet leader, has made no comment about the Chernobyl disaster in the 18 days since the 1,000 Mw reactor blew up but his influence has been strongly felt throughout the crisis.

During the first 10 days after the accident the authorities consistently underestimated its gravity and its political impact abroad. Official communiques were sparse and Soviet television showed Ukranian folk dancers to prove the danger was a foreign press concoction.

This completely changed during the second week, possibly as a result of a visit to the site on May 2 by Mr Nikolai Ryzhkov, the Prime Minister, and Mr Yegor Ligachev number two in the Politburo. It was only then that the town of Chernobyl, 12 miles from the reactor, was evacuated.

The second week of the crisis illustrated Mr Gorbachev's "openness" in action in much the same way the first week had been a caricature of the obsessive secrecy which reigned supreme under Mr Leonid Brezhnev, Soviet leader from 1964 to 1982. The only real surprise is that Mr Gorbachev himself has said nothing.

It is noticeable, however, that those reported as active in ending the crisis—such as Mr Ryzhkov, Mr Ligachev, Mr Boris Shcherbina, head of the investigating commission, Dr Yevgeny Velikhov in charge of the clean-up operations—are Gorbachev appointees. Mr Vladimir Shcherbitsky, party chief for the Ukraine and a member of the Politburo since 1971, has been totally silent.

THE director-general of the International Atomic Energy Agency (IAEA), Dr Hans Blix, yesterday strongly criticised the Western media's reporting of the Chernobyl nuclear power plant accident but predicted that nuclear energy would continue to advance and be made safer, Patrick Blum writes

Speaking at the annual conference of the International Press Institute in Vienna, he accused sections of the Western Press of "reporting guesses without much foundation." The West is understanderbly suspicious of Soviet reporting but Western reporting could have resulted in panic if applied to the Soviet Union, he said.

"Soviet reporting was late, meagre but probably not untrue. The Western reporting was fast, massive and often very misleading, notably in casualty figures," he said. A sense of proportion was needed when reporting on such accidents.

The Soviet Union's late implementation of emergency measures was more worrying than its slowness in reporting the accident, he said.

Dr Blix suggested West European countries may have over-reacted in their protective measures. "The possible advantage of overprudence may possibly be outweighed by the anxiety such measures provoke," he said.

In spite of the accident, nuclear energy still had a future, he argued.

"Nuclear energy has been meant to help our crossing from the oil era to another energy era, possibly solar or fusion. In my view we are well past the point of no return. The crossing will continue, but the speed might be reduced for a while."

Dr Blix predicted that the accident would encourage greater international co-operation on safety and on measures to adopt in the case of accidents.

Only on May 5 did the Ukrainian health minister appear on television to warn people to take some precautions against radiation: to keep windows shut and wash all fresh fruit and vegetables. Parents were encouraged to get their children out of the city. Not unreasonably, people in Kiev now ask why they were only told to take precautions such a long time after the accident on April 26.

Since then, the Soviet Union has been extremely open about what has happened and is happening at Chernobyl. There have been accounts in the newspapers, interviews with survivors and experts on the spot, continual references to initial failures by local officials to grasp the seriousness of what had happened. This switch in information policy caught the foreign Press by surprise, many interpreting the open discussion as proof that the situation at the reactor was deteriorating.

The complete contrast between the way in which the Soviet Government behaved during the first week compared to the second illustrates a Schizophrenia in the way it currently works. It brings into the open the very real division within the leadership on openness which was already evident before Chernobyl.

Since Mr Gorbachev came to power the press has mixed a small amount of radical and investigative reporting with the soporific and platitudinous. For months the new party line on openness and secrecy has been unclear even to senior officials. When the Communist daily newspaper Pravda published letters attacking party privileges just before the party congress in February it was criticised by Mr Ligachev for going too far.

But giving greater leeway to the press has been an important part of Mr Gorbachev's efforts to change the way in which the economy is run and to root out many of the leaders who dated from the Brezhnev era. Given that the Soviet Union's nominally parliamentary institutions are rubber stamp bodies without authority, political debate and argument is often displaced sideways into the press.

Chenobyl was the first litmus test for Mr Gorbachev's modification to the tradition of secercy he inherited. The result shows that the initial reaction of most officials is simply to deny everything and imply that reports of anything wrong are malicious slanders spread from abroad. It also showed that the policy of openness did prevail, albeit very late in the day.

Wil heads roll because of Chernobyl? Some minro transport officials have already been repremanded for failing to look after evacuees. The complete silence of Mr Scherbitsky, the Communist party chief for the Ukraine, means that his politcial future must be in doubt.

Mr Gorbachev himself will not suffer much damage within the Soviet Union. The failure to act during the first week of the crisis is likely to be blamed on local or other officials.

Abroad he faces a more difficult problem. Senior Soviet officials say that the first politburo meeting to discuss Chernobyl was on April 28, too late to warn Sweden about the cloud of radioactivity. But this does not quite get them off the hook since another week passed before Dr Hans Blix, head of the International Atomic Energy Agency, was brought to Chernobyl.

The diplomatic problem for Mr Gorbachev is that the secrecy and mendacity of the first week of the disaster is in such contrast to his nuclear diplomacy over the past year. The gap between Soviet demands for co-operation to control nuclear weapons before Chernobyl will be compared to the Soviet Union's demonstrable lack of co-operation over the accident until 10 days after it had accurred. The legacy of Chernobyl is likely to cripple Mr Gorbachev's nuclear diplomacy for some time to come.

Pensions ruling backs part-time workers

By Quentin Peel in Luxembourg

EXCLUSION of part-time workers from an occupational pension scheme may be contrary to the EEC's Treaty of Rome, if the rule excludes more women than men, the European Court ruled yesterday.

However, companies which can prove they discriminate in applying their pension schemes for objective reasons other than sex would still be allowed to do so.

The court issued its judgment in a case involving a West German chain of department stores—Bilka-Kaufhaus—and a former part-time woman employee, who was excluded from the company pension scheme.

The great majority of part-time employees at the stores were women, the court was told, but employees only qualified for company pensions if they had worked a minimum of 15 years full time.

The company argued that exclusion of workers was justified on sound commercial grounds.

The Court concluded that if it were shown that a considerably smaller percentage of female than male workers carried out full-time work, the exclusion of the part-time workers would be contrary to Article 119 of the Rome Treaty, where such a measure was not justifiable by factors other than discrimination based on sex.

It said that an employer might justify such an exclusion by showing that it sought to employ as few part-time workers as possible.

An employer could not, however, be expected to take into consideration the particular difficulties faced by employees with family responsibilities in fulfilling the conditions to entitle them to a pension.

West Germany denies trade 'loophole' to East

BY LESLIE COLITT IN BERLIN

A WEST German official yesterday defended East Germany from charges in the West of being a "notorious loophole" for exporting goods from other East European countries because of its special trde agreement with West Germany.

The charges arose in the House of Commons last week, when MPs questioned the British Government on the exemption of East Germany from a temporary EEC ban on fresh food imports from Eastern Europe. The ban, imposed on Monday, was to prevent imports of food contaminated by radiation from the damaged nuclear reactor at Chernobyl.

Mr Bernd Raether, an official from the West German office for trade with East Germany, called the accusations "wholly unjustified."

His office in West Berlin, which is part of the West German Economics Ministry, supervises all of West Germany's trade with East Germany.

The official said East Germany had no interest in selling products from other Comecon countries, which competed against its own, to West Germany.

In the case of East German deliveries of fresh food to West Germany, be noted, all of it was subject to stringent radiation inspection by the West German states. He said that the bulk of East German food sold to West Germany and West Berlin was consumed there.

Mr Raether said there had been a recent rumour in the meat trade that Hungary was delivering live sheep to the EEC through East Germany.

He noted that the East Berlin counterpart of his office had replied that such a transaction was "impossible." Mr Raether explained that East Germany was extremely anxious to maintain an "unblemished reputation" in such trade matters.

The West German official said it was a "rare exception" for goods from other Comecon countries to enter West Germany through East Germany. In one such case, East Germany had surplus Soviet steel on its hands, and the West Germans agreed to process it and return the steel products to East Germany for use there.

East Germany last year sold DM 250m ($114m) in live animals, fresh meat, and milk to West Germany and West Berlin. It has not delivered fresh vegetables or fruit to the West for years.

Irish banks set to cut prime rates

By Hugh Carnegy in Dublin

IRISH banks expect to cut their prime lending rates by at least 1 per cent, and possibly more, from rates around 12.5 per cent following a fall in central bank and interbank rates this week.

The trend is part of a gradual fall since last month's realignment in the European Monetary System in which the Irish punt maintained its value against the European Currency Unit.

Speculative outflows of the punt before the EMS changes in mistaken anticipation of an Irish devaluation helped drive lending rates to business in Dublin as high as 17 per cent. The punt has also held up since at about I£1.10 against sterling.

This week, the central bank brought its short-term rates for banks down to 11.5 per cent and interbank rates fell likewise. One month rates dropped to less than 11 per cent whereas before the EMS adjustment they had been around 15

Bonn to offset farm price cuts

BY PETER BRUCE IN BONN

THE BONN Government has agreed to provide West German farmers with more than DM 500m (£149m) in extra financial help to offset its failure to prevent some price cuts in the European Community's annual farm price negotiations late last month.

Also, as next month's important election in Lower Saxony draws nearer, senior government politicians are beginning to make loud noises in support of compensation for farmers for damages caused by the Soviet nuclear reactor accident. NO 15—8/8¼

The cabinet decided yesterday to offer farmers DM 450m to help cut social security payments and set aside a further DM 125m as a national contribution to increasing so-called "disadvantaged areas" from 4m hectares to 7m hectares, more than half of total West German farmland. The cost of aiding these areas is shared with the EEC.

In all, the Government has pumped DM 808m in new subsidies to farmers this year, the *Laender* (states) are expected to pay about DM 88m on top of this and the Government had already made an extra DM 150m available to farmers in its 1986 budget.

None of this is likely to satisfy an increasingly truculent farmers' lobby, which has demanded up to DM 1bn alone for the failure to win new price increases. The farmers' main threat to the Government is to abstain or to vote for the opposition Social Democrats in the Lower Saxony poll. If Chancellor Helmut Kohl's Christian Democrats lose the state then his government also loses its majority in the Bundestag (upper house) in Bonn.

With these calculations no doubt in mind, and with an eye to the general election next January, Mr Martin Bangemann, the Economics Minister, said yesterday that he thought West German farmers had suffered DM 1bn-worth of damage because of the Chernobyl disaster and said they should be compensated immediately and without bureaucratic interference.

Mr Bangemann's party, the Free Democrats, a junior partner in Mr Kohl's coalition, looks at the moment like failing once again to top 5 per cent of the poll in Lower Saxony and, hence, to have a say in government in Hanover.

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US-Soviet relations forecast by IISS to remain tense

BY DAVID BUCHAN

US-SOVIET relations are likely to hover between levels of "medium and high tension" over the next two or three years and, with little prospect of an arms control breakthrough, the challenge to policy-makers on both sides will be to manage the tension, and perhaps gradually reduce it.

This is one of the sobering conclusions from the International Institute for Strategic Studies (IISS), which today publishes its "Strategic Survey" for 1985-86.

Permeating its report is the belief that superpower negotiations are currently less significant for any concrete arms control accord, considered unlikely in the near term, than for the realisation by both Moscow and Washington that "there is no other way to manage East-West relations."

The IISS pours scorn on the "curiously similar" grand designs of both Mr Mikhail Gorbachev and President Ronald Reagan to achieve "the impossible aim of eliminating nuclear weapons." The only difference is that the former wants to do this within 14 years, by the end of the century, while Mr Reagan does not specify his time-scale.

"To the extent that both leaders know that this goal is unrealisable, they merit the criticism of informed observers for peddling humbug to a gullible and hopeful public," the IISS tartly comments.

The opposite solutions proposed by the Soviet Union, which wants to ban nuclear weapons, and by the US which wants to render such weapons useless with completely effective strategic defences, are so basically incompatible as to "put an end to any thought of rapid progress" in negotiations in Geneva, says the Institute.

However, the London-based IISS cautions the US against drawing the conclusion that it should, therefore, keep its Strategic Defence Initiative (Star Wars) off the bargaining table, to await events showing more clearly whether the new space technologies bring a promise or a threat.

"A few years of waiting for clarification may well see the creation of conditions in which an arms race in space can no longer be stopped," it warns.

"Unless controls are adopted soon both superpowers will be searching for security in space singly, rather than jointly; the result will be to make each less secure than ever," it believes.

Both Washington and Moscow happen to agree, in the most general terms, on the need for a 50 per cent cut in their strategic arsenals. But their differing proposals to achieve this affect not only the number of weapons themselves, but "basic strategic interests," such as whether Star Wars type defence should be banned or deployed, or land-based missiles made mobile.

"If rational, durable arms control policies are to be developed, both sides will need to make fundamental strategic choices, but there are as yet all too few indications that this requirement is being acted upon," says the IISS.

Few issues commanded so much concern among Western leaders in 1985 as international terrorism, the IISS says, "yet few commanded so little consensus on how to attack the problem."

Clearly endorsing recent Western action to increase security and co-operation to track down, arrest and extradite terrorist suspects, the institute warns, however, that terrorism as a phenomenon will not go away.

Greece urged to reduce state's role in economy

BY ANDRIANA IERODIACONOU IN ATHENS

GREECE MUST reduce state intervention in the economy and reduce bureaucratic red tape if it wants to attract US investors, Mr Harold Goldfield, US Assistant Secretary of Commerce for Trade Development, said here yesterday.

He was speaking on the last day of a conference on trade and investment in Greece organsed by the International Herald Tribune and the American-Hellenic Chamber of Commerce during which strong recommendations for a reduction in the role of the state in the Greek economy have also come from OECD and Bank of Greece speakers.

Mr Goldfield praised the two-year economic stabilisation programme introduced by the Government last October in an attempt to reduce deficits and inflation as a "positive first step" towards creating a favourable investment climate. He said, however, that his talks with potential US investors in Greece indicated that the Government needed to take extra steps towards economic liberalisation.

Limitations on the transfer of funds, rigidity in labour legislation, financial market controls, a vaguely defined tax system, price controls, government intervention in industry and excessive bureaucracy were issues of particular concern to investors, he said.

● The Greek Economics Minister, Mr Constantine Simitis, assured the conference yesterday that the Greek government would prevent Athens being used by terrorists, Reuter adds.

He regretted the fact that US tourists were reported to be cancelling visits to Europe and especially Mediterranean countries because of bombings and hijackings in recent months.

"But are they being rational? Does the record suggest that by going to, say, Florida instead, they will be exposed to a lower risk of violent crime than by coming to Greece . . . ?" Mr Simitis asked.

The tourist industry reckons the number of Americans visiting Greece will fall by as much as half this year because of the tension between the United States and Libya and security fears caused by two hijackings over Greece in 1985.

Italy orders expulsion of another Libyan diplomat

THE ITALIAN Government has ordered the expulsion of a Libyan consul in Palermo for engaging in activities "incompatible with his diplomatic status," AP reports from Rome quoting the Ansa news agency.

The action came a day after Libya announced the expulsion of 36 diplomats and staff from seven European Community embassies in Tripoli. Its official news agency said that among those being expelled were six Italian diplomats and 19 other employees of the Italian embassy. They were given between a week and 10 days to leave.

The Libyan announcement came three weeks after the EEC agreed to support a US campaign against alleged Libyan-backed terrorism by sharply reducing the number of Libyan diplomats in Europe and tightening controls on their movements.

The Italian Government on April 26 ordered Libya to cut its diplomatic staff to about 40 by 10.

In Ankara, meanwhile, two Libyans appearing before the State Security Court yesterday charged with trying to bomb a US club in Ankara, said their pre-trial statements were extracted under torture, Reuter reports.

The court began hearing the case of five Libyans accused of involvement in an abortive attempt to blow up the US officers' mess in the city on April 18. They face sentences of up to 20 years in jail if convicted on charges of forming an armed group to commit murder and of possessing explosives.

Three of the accused, two of them diplomats, are on trial in their absence. All three are reported to have left the country.

In Madrid, a Spanish army colonel arrested for meeting the Libyan leader Col Muammar Gaddafi has denied he was seeking support for right-wing plotters. He says he asked for finance to launch a newspaper.

Col Carlos Meer de Ribera, an outspoken right-winger, said in a radio interview that he had been a personal friend of Col Gaddafi for years and described him politically as close to the doctrine of the fascist Spanish Falange.

He claimed not to know the Libyan diplomat expelled last Saturday who is accused of taking him to see Col Gaddafi, although newspapers published Spanish intelligence photographs of the two men about to board a Tripoli-bound flight in Paris.

● Libya would be willing to attend a conference of European and Arab states on ways of reducing the terrorism in Europe, the Maltese Prime Minister, Mr Carmelo Mifsud Bonnici, said in Brussels yesterday.

FINANCIAL TIMES
Published by The Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter-Societäts-Druckerei-GmbH, Frankfurt/Main. Responsible editor: C.E.P. Smith, Frankfurt/Main, Guiollettstrasse 54, 6000 Frankfurt am Main 1. © The Financial Times Ltd, 1986.
FINANCIAL TIMES, USPS No. 190640, published daily except Sundays and holidays. U.S. subscription rates $365.00 per annum. Second class postage paid at New York, N.Y. and at additional mailing offices. POSTMASTER: send address changes to FINANCIAL TIMES, 14 East 60th Street, New York, N.Y. 10022.

Polish print strike called off

By Christopher Bobinski in Warsaw

A THREATENED token strike by Poland's official print union has been called off after talks with the Government and assurances that an interim wage agreement will be signed soon. The call for a half-hour national stoppage on May 21 and a recommended overtime ban are the most serious steps taken by one of the new unions set up to replace Solidarity and the other unions banned in 1982.

The union, which claims more than half the country's 40,000 printers as members, has been seeking a new comprehensive wages and conditions agreement for the past two years. It took its strike decision after the Government refused to sign the agreement, arguing that a special law governing collective wage bargaining must first be passed by Parliament.

A draft of the law is ready but it has yet to be examined by Parliament and is unlikely to come into force until next January. The printers who are pressing for a 20 per cent wage increase have now won a promise of an interim wage agreement until the bill is passed.

Hugh Carnegy in Dublin previews a crucial church-state confrontation

Ireland opens divisive debate on divorce

A DEBATE which Ireland's powerful Roman Catholic hierarchy says is of "fundamental importance to the future of our society" opens in the Irish Parliament today when the Dail considers the Government's proposal to remove the constitutional ban on divorce.

The issue is one of the most crucial church-state confrontations yet faced by Ireland—a society still firmly set in the Catholic social mould—and a trenchant campaign is assured before it is resolved in a referendum due to be held on June 26.

It follows bitter national arguments in 1983 over the adoption by referendum of a constitutional ban on abortion and last year over legislation which for the first time allowed the sale of non-medical contraceptives in Ireland.

Against this background, the timing of the divorce proposal is to some extent a surprise, especially given the tough summer in prospect across the border in Northern Ireland as Unionists fight the Anglo-Irish Agreement and the Fine Gael-Labour coalition's lowly standing in domestic opinion polls.

Dr Garret FitzGerald, the Prime Minister, and his cabinet have enough of a battle on their hands managing Ireland's sickly economy without seizing on a divisive issue which has its opponents even within Government.

The explanation is that Dr FitzGerald has long been committed to such social reforms. His so-called "constitutional crusade," aimed in part at reducing northern Unionist objections to the Republic, has never really got off the ground and he was under pressure from Labour and his own backbenchers to tackle divorce before he was overtaken by an election due next year. Growing evidence from opinion polls that a majority in favour of divorce was likely finally persuaded him to go ahead.

Although the church and a sizeable slice of lay opinion now directed by the newly-formed Anti-Divorce Campaign are opposed to divorce, almost nobody disputes that marital breakdown is a serious and mounting social problem. Estimates of how many Irish people are affected and suffering under the existing confused and anomalous legislation range from 30,000 to a figure of 70,000 quoted by the Divorce Action Group, an established organisation campaigning for a "yes" vote.

At present, Irish law does allow for judicial separation under limited circumstances but not remarriage. A good number of people have divorced and remarried abroad but this leaves them subject to a tangle of legal difficulties at home, including illegitimacy and lack of inheritance rights for second marriage children.

Dr FitzGerald: committed to social reforms.

There is the additional anomaly that the Catholic Church can, and in a few cases does, grant annulments with leave to remarry. But remarriage even in these circumstances is not recognised by the state.

To get over these problems and to nudge Ireland closer into line with social conditions prevailing elsewhere in Europe (Ireland and Malta are the only European countries with no divorce provision), Dr FitzGerald and his supporters concluded that a divorce statute must be introduced.

They have sought to blunt opposition by setting out very limited divorce terms which will be written into the constitutional amendment. Divorce will only be granted by a special family court where couples have been separated for at least five years, there is no reasonable hope of reconciliation and provision has been made for all dependents.

The church and the Anti-Divorce Campaign dismiss these reassurances, focusing on the overriding condition that divorce will be considered where "a marriage has failed." "Failure" of a marriage is in fact the basis for the most advanced and most unrestrictive form of divorce in the world today," the Catholic hierarchy said in a statement. Further, opponents argue, the proposals discriminate in favour of second families, will be "a disaster" for women and children and, in sum, threaten the fabric of Irish society.

The opposition Fianna Fail party, which includes many against divorce, has not adopted a public position on the issue for fear of dividing the party.

The Government's public campaign is being led by Mr Peter Barry, the Foreign Minister, who has a conservative reputation, and Mr Michael O'Leary, a former Labour Party leader now in Fine Gael who was instrumental in forcing the issue on the Government. This balanced ticket does not conceal differences in the Government, however, as Mr Paddy Cooney, Minister for Education and some prominent Fine Gael backbenchers are publicly opposed to divorce.

With opinion polls showing the outcome still to be in some doubt, much may depend on the turnout among Ireland's many young and comparatively liberal voters.

If the amendment is passed, it will be a notable personal victory for Dr Fitzgerald, as was the Anglo-Irish Agreement. But, like the Anglo-Irish Agreement, it is unlikely to have much lasting effect on his gloomy election prospects.

OVERSEAS NEWS

PRINCE AND PRINCESS OF WALES IN TOKYO

Japanese admire royal productivity

BY CARLA RAPOPORT IN TOKYO

MANY of Tokyo's major streets were almost deserted a few weeks ago when Emperor Hirohito was driven by, waving almost shyly, on the occasion of the 60th year of his reign.

But last Sunday, nearly 100,000 Tokyo residents lined their streets to scream, shout and wave at the Prince and Princess of Wales.

The Japanese love their emperor, but the relationship between the Japanese people and its royal family is a platonic one. As Britain's royal couple wound up their six-day trip to Japan yesterday, it was clear that Japan wouldn't look at their own royal family in quite the same way again.

"Your princess is cheerful, she smiles at everyone. And he seems to work very hard. Our royal family often look so gloomy," said Mr Makoto Naito, a Tokyo taxi driver yesterday.

But the Japanese have taken notice of more than the royal countenance. Japan's own Crown Prince and Prince, for example, average a foreign trip only once or twice a year. Britain's Royal Family, it seems, has a higher productivity ratio.

The low profile of the Japanese Royal Family stems more from tradition than choice, however. The Imperial Household Agency is staffed by a notoriously conservative officials, who shun from any break in palace etiquette. When Prince Naruhito, the Crown Prince's eldest son, returned from two years in Oxford, he was reportedly keen to bring a more modern look to the Japanese Royal Family, but was blocked by the powerful chamberlains.

In the meantime, Japanese commentators are having a field day with the relativeness openess of the British royal couple. Newspapers are full of praise for Charles's serious interest in industry and his support for Britain's export drive. Less responsible television commentators have been informing Japanese audiences about British royal life with about the same accuracy as some Fleet Street papers. "They are allowed to have lots of love affairs," claimed one commentator on Japanese television yesterday.

"We Japanese are really enthusiastic about Diana, but we are most impressed with the role Charles is playing," says Mr Mitsuya Goto, a general manager at Nissan, which they visited yesterday. "He even shows a sense of humour about the trade balance. We find this very refreshing," says Mr Goto.

"With the yen going up, maybe we should be getting more for our money," said Mr Natio. In 1985, Japan's Imperial Family, with 22 members, cost nearly Y3bn (£12m) to maintain, while the Imperial Household Agency cost a total of Y7.5bn.

The Prince of Wales last night made a direct appeal to British companies, asking them to step up their export efforts to Japan. "No British company, large or small, with competitive, well-designed and well-made products should miss out on the opportunity presented by the vast Japanese market," Prince Charles said at the end of his six day trip to Japan.

Britain has a £3bn trade deficit with Japan and many British companies have blamed unfair barriers in a host of areas for the lack of penetration into the market. A number of British companies, however, have made their mark and their results have apparently impressed the Prince.

"Persistence and patience are required. I've met some of the British businessmen behind the success stories."

Utilities distribute oil price drop windfall

BY OUR TOKYO STAFF

JAPAN'S leading utilities companies will start to distribute to customers windfall profits earned from falling oil prices by the start of next month.

The 12 utility companies, including nine electric power companies and three gas companies, have assessed their windfall profits to date as Y1,500bn (£6bn). The companies were working on last month's yen-dollar rate of Y178 and a crude oil price of $19 a barrel. Consumer groups immediately criticised the announcement yesterday, saying that the full amount of the reduction should be passed on to consumers.

None the less, the cuts should reduce the average four-person family's energy bill by about 10 per cent. The boost for industry will be even more marked, with the steel industry, for example, expected to receive a Y54bn reduction in its energy bill in a year.

Government officials hailed the cut saying that it would have a large beneficial effect on smaller companies.

Meanwhile, further moves were made in Tokyo yesterday to assemble a package of emergency relief measures for those companies most hurt by the rising yen. In an economic Cabinet ministers meeting yesterday, Prime Minister Yasuhiro Nakasone said he wants to adopt "bold measures to cope with this unusual situation." Shipbuilding and shipping industries, it is understood, may be the first areas to receive special government relief, in the form of cheaper loans.

Taiwanese airline will negotiate with China

By Robert King in Taipei

IN AN unprecedented move Taiwan flag carrier, China Airlines (CAL), has ordered its representatives in Hong Kong to meet with officials of China's aviation authority, CAAC, to discuss the release of a Boeing 747 cargo jet that was diverted to China earlier this month.

The aircraft's pilot, Wang Hsi-chueh, landed at Canton airport, on May 3 in an apparant defection to China. He cited "corruption, crime and traffic conditions" plus a desire to reunite with his family in China as reasons for his defection.

Two other crew members, however, refused to join Wang and despite earlier Chinese pronouncements that they would be allowed to return to Taiwan are still being detained in China.

Peking has insisted on direct negotiations with Taiwan, before it will release either the aircraft or the crew members. Taiwan, on the other hand, has for years maintained that under no circumstances will it negotiate for compromise with the Communist regime, which Taipei considers composed of "usurpers and bandits."

Taiwan's Nationalist Government was driven from Mainland China in the wake of a civil war that ended in 1949.

Taiwan had earlier sought the aid of intermediaries such as the International Red Cross and Pacific Airways to discuss the release of the aircraft and crewmen with Peking. But the Chinese authorities, refusing to relinquish the propaganda points it stands to gain in its war of words with Taiwan, have insisted on direct talks.

In agreeing to meet with their Chinese counterparts in Hong Kong, the CAL officials are trying to create the impression that the talks are between private companies and thus does not comprise of government-to-government negotiations — something Taipei has explicity ruled out.

Peking left Taipei a face-saving way out over the weekend when it cabled its willingness for officials of both air authorities to meet wherever Taiwan named.

Delhi officials see gains from hearing Bhopal case in India

BY K. K. SHARMA IN NEW DELHI

INDIAN Government officials yesterday claimed that India had "substantially gained" from Monday's ruling by New York Judge Kennan that the Bhopal gas victims' claims should be tried in India rather than the US.

India was originally adamant that the claims resulting from the 1984 tragedy, in which more than 2,000 lives were lost, should be heard in the US in the hope that substantially larger damages would be awarded.

The Indian Government's official reaction to the ruling is not expected until today when a statement will be made to Parliament.

Officials at the Department of Chemicals have, meanwhile, taken cheer from Mr Keenan's order that Union Carbide must fully submit to the jurisdiction of the Indian courts.

The officials pointed out yesterday that the ruling would allow enforcement of an Indian court's judgement in the US where the assets of Union Carbide are located. This they say, will fully satisfy the claims of the victims of the Bophal disaster in which Methyl Isocyaniate gas leaked fwrom a pesticides plant.

They explained that the real reason for the Indian Government's seeking the jurisdiction of US courts was that Union Carbide could have, in the adsence of these conditions, raised the question of jurisdiction, attacked the judgement of Indian Courts and refused to make available evidence it had gathered outside India.

This would have meant a prolonged legal battle and serious delays in getting decisions on the various ways in which Union Carbide could have obstructed Indian courts. Monday's decision has obviated the need for a long battle and the officials are now hopeful of getting justice for the Bhopal victims.

Nevertheless, it is conceded that US courts may have awarded much higher damages which would have been much more speedily obtained in the US than in India.

There is no precedent in the sub-continent for settling claims of the dimensions of Bhopal where the victims were all outside the Union Carbide plant. Hence, the provisions of the Workman's Compensation Act will not apply in this case.

> The Indian legal system has never faced a claim for damages arising out of an industrial accident . . . Indians are reluctant to go to court because of long delays

Indeed, the Indian legal system has never faced a claim for damages arising out of an industrial accident. The main reason for this is the reluctance of Indians to go to court because of long delays in getting judicial decisions.

The Law Commission has estimated that, because the overworked judiciary in India is so clogged up with hundreds of thousands of cases it could take more than 10 years to obtain a decision of even minor claims.

The Government may set up special courts to hear the Bhopal claims case so that a decision can be obtained more speedily.

Another important point is that the Indian Government expected US courts to call for a much heavier damages to be paid by Union Carbide since they would apply standards already used in that country rather than in India where living standards are low by comparison.

It is for this reason that India last month turned down an out-of-court settlement for around $350m arranged between Union Carbide and lawyers representing some of the Bhopal victims. This amount was considered "pitifully small." Although no figure has ever been mentioned, it is believed that the Indian Government would not agree to an out-of-court settlement of anything less than $1bn.

Pressure on the Government to reach some kind of out-of-court settlement with Union Carbide is now expected to increase. This would avoid delays involved in judicial hearings and also permit bargaining with Union Carbide.

So far, there has been no reaction by political parties and others to the ruling of Mr Keenan. This is expected after the Government's own decision is announced.

Syria 'fortifying positions'

BY ANDREW WHITLEY IN TEL AVIV

SYRIA is constructing new fortifications in southern Lebanon, which could house long-range artillery capable of directly threatening Israeli territory, Israel has disclosed.

The belated public disclosure follows a failed attempt to secure the demolition, or at least an end to construction, of the military installations through diplomatic means. Mr Richard Murphy, the US special envoy to the Middle East, apparently carried an exchange of messages on the subject between Jerusalem and Damascus last month.

Yesterday, Prime Minister Shimon Peres said there was "absolutely no chance" of peace with Syria while President Hafez al-Assad remains in power.

He told the state radio that over the past year Israel had made a number of unsuccessful overtures to Syria through third parties to try to reach understandings either on specific topics, such as the Golan Heights or Lebanon, or else on a more comprehensive Middle East peace.

All Israel's initiatives were turned down, he said.

S. African freehold eased

BY ANTHONY ROBINSON IN JOHANNESBURG

THE Commonwealth "Eminent persons group" (EPG) began its second round of exploratory talks with South African leaders yesterday as the Government tabled in Parliament legislation which will give freehold property rights to blacks.

According to Dr Andreas Van Wyk, Director General of Constitutional Planning, the Black Communities Development Amendment Bill means that "any black person who is a South African citizen or who is legally resident in the Republic will be able to buy property."

The term freehold does not appear in the bill as this concept does not exist in the Roman-Dutch common law applicable in South Africa. But the bill, in effect, opens the way for freehold rights limited to black residential areas in addition to 99-year leasehold rights introduced last year. The new bill will also "facilitate the supply of land by both the public and private sectors," Dr Van Wyk added.

It was welcomed by the Urban Foundation "as part of a package of changes long advocated by the foundation . . .

Australian trade gap widens

BY EMILIA TAGAZA IN CANBERRA

THE Australian Government's hopes for an improved external account during the second half of 1985-86 was dashed by yesterday's official announcement that the current account deficit last April was A$1.47bn (£710m) up A$434m on the previous month.

For the ten months to end-April 1986, the shortfall reached A$12.1bn, an increase of A$3.2bn on the same period last year.

Bankers and economists are now projecting the deficit for the whole of 1985-86 to reach A$13.5bn, A$5bn more than the Government's original expectation.

The deterioration in the April account was mainly because of the sharp rise in trade deficit to A$500m, the highest level since October last year. Given that bulk of import payments in March were for purchases of Qantas aircraft, the rise in April imports was dramatic indeed.

The April external account will support forecasts that Australia's real growth this year will lag significantly behind the world average. This would be paradoxical since in the last two years Australia's economy was one of the fastest-growing OECD countries.

The National Institute for Economic and Industrial Research and the Australian Chamber of Manufacturers this week jointly said the Government can be expected to continue with austerity policies, which will lead to a slump in overall growth in gross domestic product to 1.6 per cent this year, compared with 4.5 per cent last year.

The forecast is in line with recent indicators such as total housing loans

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Baldrige hopeful as retail sales rise by 0.5%

BY STEWART FLEMING IN WASHINGTON

Retail sales in the US rose by 0.5 per cent in April, the biggest increase since a 1.2 per cent rise in December last year.

The rise was promptly welcomed by Mr Malcolm Baldrige, Commerce Secretary, as another sign that the economy would bounce back in the second half of the year.

Commenting on the figures, which would have shown a 0.7 per cent rise had it not been for a decline in the value of gasoline service station sales, Mr Baldrige said: "Strong demand by households for new homes and consumption goods will set the stage for faster growth in the second half."

Private economists are likely to take a much more cautious view of a single month's data in a statistical series which tends to be volatile and subject to significant revisions.

But it will nevertheless be welcomed as a possible harbinger of an improvement in consumer spending, one which fits with other straws in the wind including the improving consumer sentiment being registered by some opinion surveys.

The rise looks all the stronger in view of the fact that the retail sales data is not inflation adjusted. Subdued inflation means that the increase is rather larger than it looks.

Within the retail sales figures, durable goods sales, in particular automobile sales, building supplies and furnishings—the latter reflecting the surge in the housing market in response to lower interest rates—were particularly strong.

Excluding the automotive group, however, retail sales did fall, with declines being registered in the food, gasoline service station and drug and proprietary stores.

Administration confident of overturning Saudi vote

PRESIDENT Ronald Reagan's Administration expressed confidence yesterday in its battle to overturn Congressional rejection of a $354m missile sale to Saudi Arabia, but Republican leaders warned that the Administration's chances of success are slim, AP reports from Washington.

"I think it's less than 50-50 myself," Senator William Armstrong of Colorado, chairman of the Senate Republican Policy Committee, told reporters after he and other leaders met with Mr Reagan and Mr George Shultz, Secretary of State.

Mr Shultz, on the other hand, said, "we are sure going to try and we feel pretty good about it."

The Administration is concentrating its efforts in the Republican-controlled Senate, where the sale was rejected by a margin of 73-22, leaving the Administration 12 votes shy of the number needed to sustain a veto. It takes a two-thirds majority to override one.

In the House of Representatives, which is controlled by the Democratic opposition, the vote against the administration was 356-62.

Senate Republican Majority Leader, Mr Bob Dole, when asked whether the veto would be sustained, said, "It's tough. I think there's a chance."

"Obviously we need to do more," he said.

"I think they are starting really now to work the issue," said Mr Armstrong. "Had it been worked harder earlier, I think the difference might have been quite substantial."

Republican Senator Mr Richard Lugar, chairman of the Foreign Relations Committee, said: "I think we all understand the fact that it's a very uphill struggle."

He said Mr Reagan was due to meet a group of Republican Senators yesterday, some who voted for the sale and some who voted against it.

When asked whether the Administration had lobbied hard enough on the issue the first time, Mr Lugar said it was difficult for the President to press the sale because he was in the Far East for a foreign ministers' meeting in Bali, Indonesia, and an economic summit in Tokyo.

Stewart Fleming assesses the impact on US monetary policy of two appointments to the Fed Board

Pragmatist widens Fed's scope for argument

THE ANNOUNCEMENT late on Monday that the White House will nominate Mr Robert Heller, the top international economist at Bank of America, to a vacancy on the seven-member Federal Reserve Board drew essentially mixed reviews in the American press yesterday as protagonists on all sides — monetarists, supply-side economists and pragmatists — were busy claiming the new man as one of their own.

Mr Heller himself, asked whether he belonged to any particular school of economic thought, agreed in a brief telephone conversation on Monday night that he thinks of himself as essentially a pragmatist. "Over eight years at the bank," he commented, "you tend to get the theology pounded out of you."

So until there is evidence to the contrary it is premature to jump to any conclusions about the significance for US monetary policy of Mr Heller's appointment to the board and the promotion of Mr Manuel Johnson, a 37-year-old former US Treasury economist, to the position of vice-chairman.

Perhaps the most important judgment is that, at a time when some Fed watchers have been bemoaning the fact that the quality of Fed governors is not what it was, such criticism cannot be levelled at either of these two appointments.

Wide experience

At 46, Mr Heller is a recognised authority on international economics. Senior vice-president and director of international economic research at Bank of America since 1978 and before that chief of the financial studies division of the International Monetary Fund in Washington, Mr Heller brings to the Fed a breadth of experience in international economics. It will complement the influential role which Governor Henry Wallich has played over the years as the 71-year-old governor's term of office draws to an end in 1988.

Mr Heller was born in Cologne, West Germany, graduated from the University of Minnesota in 1961 and took a PhD at the University of California at Berkeley (where he now teaches a course in international financial management) in 1961. He was an economics professor at the University of Hawaii from 1971 to 1974. His appointment will fill the remaining ten years term of Mr Preston Martin, who retired as vice chairman at the end of April when he could not get an assurance from the White House that if he was reappointed he would succeed Mr Paul Volcker as chairman of the Federal Reserve Board.

A few months ago, when there were growing fears that President Reagan, who had then appointed four of the seven governors (and reappointed Mr Volcker) was packing the Fed with political sympathisers, the announcement that Mr Johnson was to be given the job of vice chairman would have heightened anxieties on this score.

A confessed supply-sider, the 37-year-old Mr Johnson moved to the Fed from the post of assistant treasury secretary for economic policy, a position he had taken early in the Reagan Administration when ideology both monetarist and supply side, was all the rage near the top of the Fed.

Mr Johnson is too deep a thinker to be the narrow ideologue he was being painted, just as Mr Wayne Angell, who joined the Board with Mr Johnson in February, is too much of an individualist to be a member of a so-called Gang of Four Fed governors (Preston Martin, Martha Seger, Johnson and Angell) who it was said would gang up on Mr Volcker and force him to accept a monetary policy he did not believe in.

This analysis tended to overlook the impact on monetary policy of the members of the 12 regional Federal Reserve banks which Mr Volcker had been busily packing with pragmatists.

All the elements of a policy showdown between Mr Volcker and Mr Martin were in place. Shortly after Messrs Johnson and Angell joined the Board in February the showdown took place. Mr Volcker allowed himself to be outvoted on a discount rate cut on a Monday morning, the decision was reversed in the afternoon and Mr Martin subsequently resigned.

Dominant figure

All of this is not to suggest that the changing membership of the board, or the changing times in which they are now making monetary policy decisions, are in some way irrelevant because an all powerful chairman somehow impervious to the politics and economic climate is ruling the Fed with an iron hand.

Mr Volcker does indeed remain the dominant figure at the Fed. But with inflation quiescent the scope for argument about the balance of monetary policy is greater and the natural cohesion [illegible] somewhat diminished [illegible] partisan [illegible] early years [illegible] the central bank rallied behind its chairman to fight a nearly defined foe.

Mr Johnson's [illegible] logical supply-sider, is probably likely to lean a little in favour of a more stimulative policy in such circumstances. Baker [illegible] loyalists inside the Fed may also be encouraged by his sensitivity to the complexity of the issues the Fed deals with.

There is also a skilled and politically sophisticated figure running the Treasury, Mr James Baker, whose views and judgments on economic policy are not always identical with those of Mr Volcker. The exact [illegible] the economy at least, to feel that the world economy should be pushed to grow faster, while inflation is subdued and the played an [illegible] role in world affairs [illegible] past six months.

ANGLO-AMERICAN EXTRADITION TREATY

King faces a hostile Senate

BY REGINALD DALE, US EDITOR IN WASHINGTON

MR TOM KING, Britain's Northern Ireland Secretary, took what turned out to be a naively simple message to the labyrinthine corridors of Capitol Hill yesterday. "We regard murder as murder," he said on his first official visit to Washington.

He rashly assumed that because President Ronald Reagan had taken the lead in seeking to outlaw Arab terrorists, the Republican-led Senate might follow suit when it came to the Irish Republican Army. He was to discover that Irish politics in the US are just as unsusceptible to simple solutions as they are in the UK.

Mr King was in Washington to lobby for Senate approval of a new Anglo-American treaty that would make it easier for the UK Government to extradite Irish terrorists from what effectively amounts to sanctuary in the US. The treaty, signed by the two governments last June, would limit the defendants' chances of escaping extradition by claiming that their offences were political.

For Britain, the treaty raises an important issue of principle in the international war against terrorism. The UK Government has stepped up its campaign for ratification in the past month as a quid pro quo for its support for the US raid against Libya.

Moreover, Mr King argued yesterday, the statement issued by last week's Tokyo summit committed the US as well as the other signatories to clamp down on terrorism by practical means. Mr Reagan he pointed out at a news conference, had publicly told terrorists: "You can run, but you can't hide."

In his talks with the Administration, Mr King was preaching to the converted.

The Senate, however, where Democrats are trying to amend the treaty, is a different kettle of fish. A handful of Democratic senators, motivated by concern about the Irish vote in their constituencies and possibly their future presidential ambitions, are not prepared to agree with Mr King that murder is murder. They just happen to come predominantly from the north-east, where the Irish lobby is strongest.

Murder of civilians is one thing, say these Democrats, murder of British soldiers is different. What is more, they argue, it even depends on how the soldiers are killed. A shot through the heart should qualify a defendant to claim the political escape clause in US courts, a car bomb massacre, which might accidentally also kill civilians, would be less politically justifiable.

The Democratic senators, led by Mr Joseph Biden of Delaware, a possible presidential aspirant, and Mr Christopher Dodd of Connecticut, say they are reluctant to subscribe to a treaty that would abolish the terrorists' defence that they were engaged in a legitimate insurrection. "If you go after a military barracks," says Mr Dodd, "I'm not sure, ipso facto, that it should be considered a terrorist act."

The 241 US marines blown up in their barracks in Beirut in October 1983 were different, the Democrats say, because they were not conducting a civil war against the Lebanese and anyway the Democrats did not think they should have been there in the first place. To approve the extradition treaty, says Senator Thomas Eagleton of Missouri, would commit the US to accepting that there could never be a legitimate civil war in Britain.

The Democrats have an unlikely ally in Mr Jesse Helms, the arch-conservative senator from North Carolina, who contends that allowing the extradition of Irish terrorists to Britain would set a precedent of returning right-wing "freedom fighters" to the Communist Governments of Afghanistan or Nicaragua. Hiscasting vote has kept the treaty blocked in the 17-strong Senate foreign relations committee, where the Democrats would otherwise be outnumbered eight to nine.

"We know about civil wars," say the Democrats. "You wouldn't expect President Abraham Lincoln to have been able to extradite a confederate rebel from refuge in France in the 1880's." Britain, they add, might even have been able to extradite George Washington when he first took up arms against the King, if the proposed treaty was in force.

The latter day Mr King, it was clear yesterday, faced a thankless uphill battle against uncomprehending hostile forces, just like the aforesaid Mr Washington.

Tom King . . . taking a naively simple message to Capitol Hill.

Protest by steel workers in Mexico

By David Gardner in Mexico City

WORKERS from Fundidora, Monterrey, the Mexican state steel company abruptly liquidated by the Government last weekend, turned out in force yesterday in the beginning of what looks a forlorn campaign to reverse the decision.

Some 6,000 of the company's 9,000 workers demonstrated in front of the state governor's office in the northern industrial city of Monterrey, calling for the reopening of Fundidora, which was taken over by troops once local courts had expedited the Government's bankruptcy suit.

Another six subsidiaries are expected to go down with Fundidora, the oldest steel company in Latin America, which lost in excess of $300m last year and had foreign debts of $380m.

Steelworkers' unions were yesterday expecting redundancies at two plants in another state steel company, Altos Hornos de Mexico, and their leaders were due to meet the labour minister in Mexico City.

Private-sector leaders and senior ministers reacted favourably to the closure while, outside Monterrey, there was a deafening silence from the pro-regime trade union leadership.

Mr Jesus Silva Herzog, the Finance Minister, told the bank workers' union congress that, although many companies had come through the crisis, there were others "in the private as well as the public sector whose financial situation makes closure recommendable."

The main beneficiary of the rationalisation of the steel industry may turn out to be Grupo Alfa, Mexico's largest private holding company also based in Monterrey

Alfa's steelmaking subsidiary, Hylsa, earns 37 per cent of the group's consolidated income and generates about a third of cash flow. Last year the group lost $206m, and its full debt service bill, before adjustment for inflation, would have amounted to 220bn pesos ($856m) on sales of 400bn pesos.

Alfa has not met its full debt obligations since April 1982 and earlier this year had to pull out of a debt restructuring plan painstakingly worked out since then. Now, however, Fundidora leaves a production gap in the industry of nearly 1m tonnes a year,

Cuba pledge on debt repayment

BY PETER MONTAGNON IN LONDON

CUBA has told its bank creditors that it will continue to meet interest payments due to them on their share of the country's $3.5bn foreign debt despite the freeze on service payments that came into effect last week.

Originally, the Cuban central bank had suggested that interest payments as well as principal would be caught up in the 90-day freeze. Cuba's payments difficulties have been exacerbated by a shortfall in both sugar exports and in re-exports of petroleum.

It is not yet clear, however, whether the apparent back-tracking on the interest question will leave creditor banks more sympathetic to the idea of providing fresh credit as part of a new rescheduling of Cuban debt. Without interest payments, Cuba stood little chance of obtaining the $500m in balance of payments support which it says it needs.

Leading creditor banks under the chairmanship of Crédit Lyonnais are to meet in Paris next week to consider the freeze. Cuba's problems are also currently under discussion at the Paris Club of Western creditor governments, though, the Government of President Fidel Castro is not represented at the talks.

Talks to settle aramid fibres row break down

BY LAURA RAUN IN AMSTERDAM

AKZO of the Netherlands and Du Pont of the US have failed to reach a negotiated settlement of a long and costly legal battle over patents for their super-strong aramid fibres. But in their latest talks the two chemical groups came the closest yet to ending the dispute involving a lucrative market.

Both Akzo and Du Pont confirmed that intense negotiations at Du Pont premises in the US broke off on Monday with no agreement on their counter-charges of patent infringement.

The high-level talks had looked promising but apparently faltered on the details of a financial settlement that is believed to favour Du Pont.

Neither side would comment on why the negotiations broke off.

The breakdown of the second round of talks in three weeks could drive the adversaries further apart if they feel they both have compromised as much as possible and still cannot agree.

The meetings may, however, have helped foster mutual understanding and narrowed the differences after years of official skirmishing. The earlier meeting was held at Du Pont's request on April 22 in London.

Aramids are extremely strong, lightweight, heat-resistant fibres that can be used in a variety of high-technology products such as the latest generation of aircraft, bullet-proof vests and tyres. The potential worldwide market has been estimated at $3bn.

Du Pont, the world's largest chemicals company, has been making its aramid fibre, called Kevlar, for 18 years while Enka, Akzo's fibre subsidiary, plans to begin commercial production of its Twaron fibre at the end of June after several delays.

The two companies have, in a batch of lawsuits in several countries, accused each other of infringing each other's patents.

Akzo has suffered two serious setbacks in the dispute in recent months and appears to be in the weakest bargaining position.

Last autumn the US International Trade Commission (ITC) imposed a five-year ban on imports of Twaron into the US because of alleged infringement of Du Pont patents. Akzo has asked the EEC to retaliate against the ban.

Last month a Richmond, Virginia, court ruled that one of Akzo's patents was invalid.

Akzo, which is the 17th largest chemicals company in the world, and Du Pont are battling ferociously because they must try to recover the high costs of research and development and legal fees that have gone into their aramid fibres.

Du Pont describes Kevlar as the biggest R and D project of its history and legal fees have run into tens of millions of dollars, it says.

Akzo has spent about Fl 1bn (£263m) on its R and D and start-up of Twaron and between Fl 20m and Fl 30m on legal fees.

Japan remains top trade partner of Saudi Arabia

BY FINN BARRE IN RIYADH

JAPAN remains Saudi Arabia's top trading partner, according to 1985 import statistics compiled by the Saudi Ministry of Finance.

The figures show the leading Saudi trade partners are, in descending order: Japan, the US, West Germany, Italy, the UK, France and South Korea. All countries have experienced declines because total Saudi imports fell by 28 per cent last year.

Japan exported $4.44bn (£2.8bn) to the Kingdom in 1985, against US exports of $4.25bn. The statistics are based on CIF (cost insurance freight) calculations.

In 1984, the Japanese exported $6.47bn to the Kingdom, compared with $5.67bn from the US.

US trade figures fell by 21.3 per cent and Japanese figures by 34.3 per cent. Much of the Japanese decrease is attributed to the yen's rise against the dollar. The Saudi riyal is closely linked to the dollar because almost all oil sales are still conducted in dollars.

Japanese trade with Saudi Arabia has also been affected by the general downturn. Japanese strengths are in consumer electronics and automobiles and light trucks, all of which have fallen off.

● Kyodo Oil of Japan has asked Saudi Arabia to cut the price of crude oil by $2 to $3 a barrel under netback contracts, writes Yoko Shibata in Tokyo.

The move has been prompted by the fact that prices of Saudi Arabian oil under netback contracts have risen substantially more than spot prices of crude oil produced by other countries.

Japanese oil imports who have concluded such deals with the Saudis, including Marubeni Corp, Mitsui and Co and Mitsubishi Corp, are expected to start price talks this month.

Daewoo wins Norwegian contract

By Steven B. Butler in Seoul

DAEWOO Shipbuilding and Heavy Machinery has received a $47.7m (£30.7m) order for a roll-on roll-off car carrier from Hoegh-Ugland Auto Lines of Norway.

The ship is the third car carrier ordered by Hoegh-Ugland this year from Daewoo, and brings Daewoo's new orders for the year to $250m. This already exceeds last year's total new orders of $218.8m.

The Korean shipbuilding industry has been helped by the rise of the yen, which has sharply reduced the competitiveness of Japanese yards.

Korean shipbuilders believe they will be able to improve their share of the world's new ship orders, even if the total does not rise quickly. At the end of 1985, the country had 17 per cent of the world order book, compared to Japan's 38 per cent.

While the pick-up in orders is welcome, it comes against the backdrop of a 77 per cent decline in the value of orders last year.

Daewoo Shipbuilding, last year, made a loss of $10m on total revenues of $910m. The pace at which orders have arrived this year raises hopes that it can keep its yard busy.

S. Korea acts to boost trade with Europe

By Our Seoul Correspondent

SOUTH KOREA'S powerful Economic Planning Board (EPB) is working on a package of measures designed to boost trade and economic co-operation with Europe.

The centrepiece will be tax benefits and preferential use of bank loans to small companies exporting to Europe. Incentives are also planned for companies importing 30 designated items from Europe which are currently imported from Japan. These include mainly heavy machinery and some chemical products.

The programme, which includes measures to boost scientific co-operation and exchange, follows President Chun Doo-Hwan's visit to Europe last month. Korean trade is heavily dependent on Japan and the US.

Past efforts to wean Korean companies away from dependence on Japanese machinery and parts have had little effect but with the rise of the yen, many Koreans believe it may be possible to achieve their long-standing aim.

Airbus order

AIRBUS INDUSTRIE, the European aircraft consortium, has won an order for two extended-range A300-310 jets from the Shanghai region of the Civil Aviation Administration of China, AP reports.

Tony Walker on the US group's plan for an assembly plant

GM takes the road to Cairo

GENERAL MOTORS' decision to set up a car assembly plant in Egypt is being hailed as an important breakthrough at a time when many international companies are reassessing their involvement in the Egyptian market.

Many banks, oil explorers and other foreign enterprises are either slimming down their operations in Egypt or withdrawing altogether, but GM plans to eclipse its presence in Egypt in the 1950s when it maintained a car assembly plant in Alexandria, backed by a large dealer network.

GM's early investment was a victim of nationalisation under the late President Gamal Abdel Nasser. The US company has only started re-investing in what was its most important Middle East market and regional base in the past few years.

Mr Richard Kirkman, head of General Motors Egypt (GME), newly - established truck assembly operation in partnership with Isuzu of Japan and several private investors, says that "opportunities are very great compared with other developing countries."

Some Egyptians question whether it is desirable to present GM with a virtual monopoly of Egypt's passenger car market under a scheme that is regarded by some as too complicated for the relatively unsophisticated infrastructure of the local automotive sector.

GM executives are sensitive about such criticism. They point out that among the partners in the venture will be the state-owned El-Nasr Automotive Manufacturing Company (Nasco), the Misr Iran Development Bank (MIDB), Chase National Bank and private Egyptian interests.

Equity share of the venture, to be known as General Misr Car Company (GMCC), is still being negotiated, but GM's portion is unlikely to exceed 30 per cent.

The Opel Corsa, a version of which will be made in Egypt.

Planned investment is about $700m (£451m) to $1bn including funds for feeder industries which will support the main project and generate components for export, principally to GM subsidiaries in Europe.

Mr Aldo Fozzati, GM's representative in Egypt, has said that the feeder industries will be between 50 and 95 per cent export-oriented and, eventually, Egypt could supply a large volume of components to Europe, as Mexico does to the US market.

There have been 22 "serious" inquiries from component manufacturers interested in linking themselves with the project, says GM. Some of these companies are doing feasibility studies and up to 10 are committed including Allied Signal of the US (oil filters), Awab of Sweden (hose and exhaust clamps), Valeo of France (radiators and heaters) and PPG of the US (paints and finishes).

Mr Kirkman says that while the Egyptian government and the GM board have approved the car project, final agreement with the various shareholders is not expected until June.

Discussions are continuing on equity share and pricing to take account of the uncertain exchange rates.

Other loose ends to be tied up include an agreement with American Arab Vehicles (AAV), part-owned by American Motors, for the assembly of some of the imported passenger car kits at its plant on the eastern outskirts of Cairo.

AAV mainly assembles Jeeps, and the plant is considerably underutilised.

Once the agreement has been signed, GM will be involved in re-tooling Nasco's Helwan plant where 80 per cent of the kits will be assembled. Kits will be supplied by GM's European subsidiary, Opel, and will be the 1.6-litre medium-sized Ascona and 1.2-litre Corsa.

GM expects production to begin in the second quarter of 1987 in what is described as a "very complex project." This will involve a difficult transition period, including the retraining of Nasco staff who have been assembling the medium-sized Fiat Regattta for the Egyptian market. The Fiat assembly line will be phased out to make way for GM.

Planned production of Asconas and Corsas is 50,000 units by the fifth year of operation. This could rise to 90,000 depending on local market conditions. Egypt's small to medium car market is estimated at around 90,000-100,000 vehicles a year.

GM points to the success of its light- to medium-sized truck assembly operation in Egypt which began production last year. Its success makes it confident of putting together a complex project to produce passenger cars in a difficult business environment.

This year the truck project expects to build and sell 9,000 of its one, three and six ton trucks, completing its model range ahead of schedule. GM is licensed to build 18,000 trucks a year and should reach that target within two years. There are also plans to build small buses.

Pricing is a problem for the truck division. Kits are imported from Isuzu, GM's Japanese affiliate, and the dramatic strengthening of the yen, weakening of the dollar and depreciation of the Egyptian pound has forced up prices by as much as 30-40 per cent in less than six months.

This is worrying distributors and the Government, and raising questions about the market's ability to absorb the price increases.

Mr Kirkman acknowledges Egypt's reputation for a bureaucracy which can at times be almost impenetrable. He points out that circumstances for foreign investors are easing but opportunities will become more limited.

"The time to come is now," he says. "Don't wait five to 10 years. It's going to get crowded here, but you have to slog. It's not going to be handed to you on a plate."

"Every developing country is a risk. But that is what business in these places is all about."

China plans drive to boost barter trade

By Robert Thomson in Peking

CHINA plans to intensify its counter-trade drive in an attempt to help reduce a trade deficit which has led to the introduction of tough restrictions on imports in the past year.

Foreign business people based in Peking believe a strengthening of the trade powers of the Ministry and Foreign Economic Relations is related to the counter-trade push.

Officials of the agriculture and textile ministries have made clear this week that trade decision-making powers have been transferred from their ministries to the Trade Ministry (Mofert) in recent months.

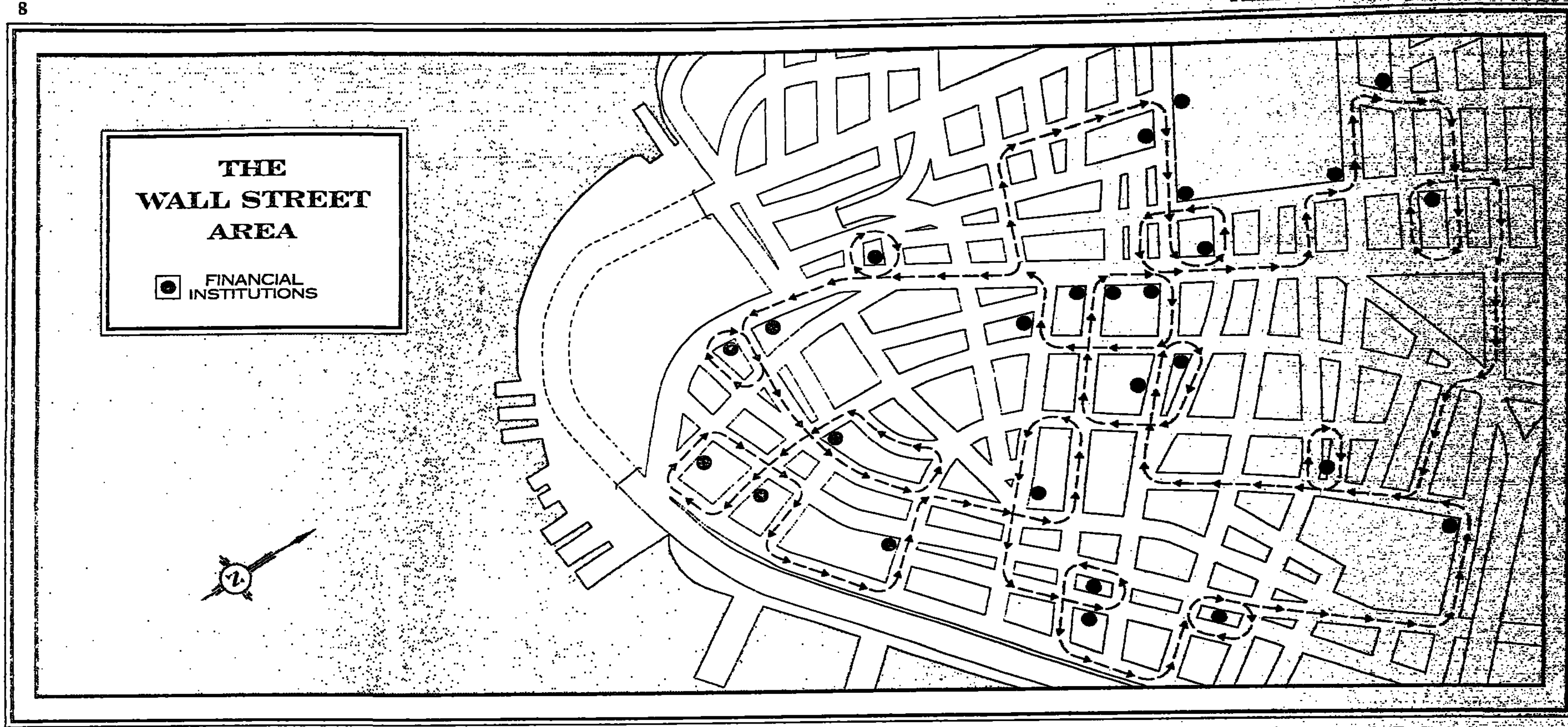
Foreign business representatives are watching the moves closely. Counter-trade deals have proved awkward to arrange in the past because of bureaucratic barriers inherent in dealing with several different departments.

Zhu Youlan, the assistant trade minister, said in yesterday's China Daily that counter-trade is an ideal way for China to "expand overseas business," particularly "in view of the shortage of hard currency in many countries."

The Chinese government has forecast that its modernisation plans will be hindered by a long-term hard currency shortage.

According to Mofert, China signed compensation trade deals last year worth $213m, a 35 per cent increase on 1984.

Zhu Youlan said the counter-trade focus had shifted this year. More emphasis was being placed on the importation of complete sets of equipment, while the bulk of barter trade last year was in importing consumer goods and raw materials.



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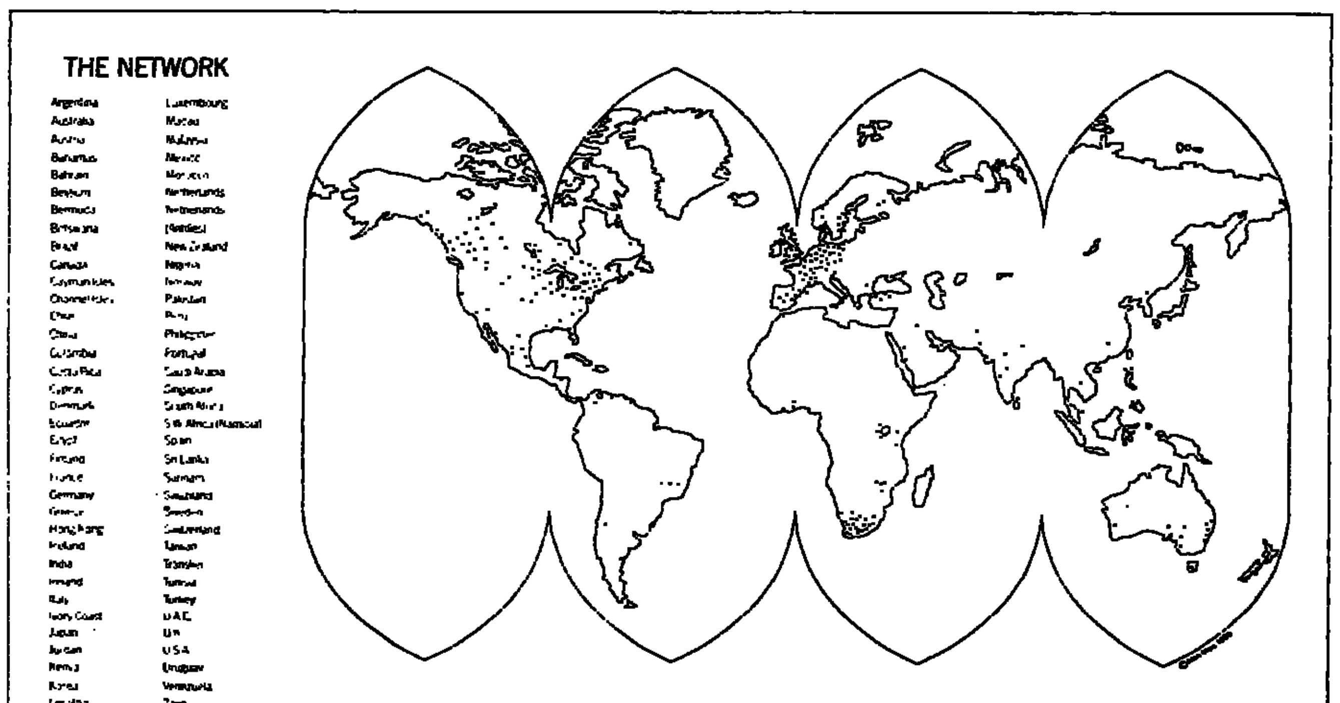

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UK NEWS

Lucy Kellaway looks at the recent rush of rights issues

Heavy cash calls fuel City fears

YESTERDAY it was Burmah Oil, the day before Britannia Arrow, last week it was Cater Allen and before that it was the Prudential, Rosehaugh, Saatchi and Saatchi, Low & Bonar and Turner & Newall.

Altogether more than 20 companies have sucked more than £1bn out of the London stock market in six weeks through rights issues. Although much of this has come in two big amounts—£406m from Saatchi and Saatchi and £357m from the Pru, there has also been a steady flow of companies making large and medium-sized calls for cash.

This rush of rights issues is clashing with the Government's privatisation programme and coincided with the final £1.2bn payment on British Telecom. Such heavy demands for cash have snuffed out the powerful rise in share prices during the first quarter.

At the beginning of April, just before the Telecom call, the *FT* Actuaries All Share Index stood at 818, 4 per cent higher than its level yesterday.

So far, all has gone relatively smoothly, and banks have had little difficulty in getting the issues underwritten. However, the City is becoming nervous, and suspects that it may not be long before investors call a halt and refuse to hand over more money.

Investors fear a re-run of last year, when a rights surge was terminated by a £519m issue from Hanson Trust, which was largely left with the underwriters, and which prompted an 8 per cent fall in share prices.

However, this year's activity has not been so long or punishing as that of last year. Almost no money was raised during the first quarter, whereas by the end of March last year companies

John Maltby: chairman of Burmah Oil

had already raised £1.5bn through rights issues. By the time of the Hanson crunch the total had risen to £2.5bn, £1bn more than the aggregate figure so far this year.

The problem this time is the concentration of activity. "If the pace of funding continues at even a shadow of the rate in the last few weeks, the market will wilt. We may be just one big rights issue away from a major setback," Mr Nicholas Whitney, head of research at Rowe & Pitman, Mullens said yesterday.

The market's rumour mills are already churning out names of companies likely to ask shareholders for cash, and the favourites to launch a big issue are Allied Lyons, Imperial Chemical Industries and Marks and Spencer.

More important than the effect of a heavy issue on a fund manager's gut feeling is its effect on his ability to pay up.

Figures on institutional liquidity are always out of date and are now so distorted by a range of unseasonal influences that it is difficult to gauge how much ready cash they have. Anecdotal evidence suggests that they are fully invested.

Meanwhile, heavy demands on the market are likely to continue for the rest of the year. The Bank of England, which regulates the rights issue queue, is thought to have a full calendar for the next few months. Rights issues are being squeezed in to avoid clashes with the rest of the year's new issue diary, which is also densely booked.

However, not all the companies who have secured a place in the queue will necessarily go ahead with their issues.

After the failure of the Hanson Trust issue last year, the rights boom dried up. Throughout the rest of the year only £500m was raised, most of which came in one large lump from Cable and Wireless.

Companies can afford to be so changeable about their plans only because nearly all of the proposed rights issues are by nature opportunistic. With share prices so high, raising money through a rights issue appears an attractive option.

In none of the recent, prominent issues has the money been raised against a clearly defined use of cash for internal expansion. Perhaps the nearest was the £72m issue from Harris Queensway, of which about £40m will go towards buying new stores and doing up old ones.

Almost all the others have been raising money to fund

RIGHTS ISSUES OF MORE THAN £30M THIS YEAR

Company	Month	Amount £m
Wolsely-Hughes	March	100
Greycoat	March	37
Turner & Newall	April	46
Saatchi & Saatchi	April	406
Rosehaugh	April	59
Prudential	May	357
Harris Queensway	May	72
Brittania Arrow	May	39
Burmah Oil	May	85

acquisitions programmes. Some companies have poured the proceeds of an issue straight into the war chest, while others have had a particular acquisition lined up to finance. Issues from the Pru, and Burmah fall into the first class, while that from Britannia Arrow, which raised £40m on Monday to pay for the acquisition of MIM, falls into the second.

Saatchi's issue falls somewhere in between. It is unclear whether it raised the money to pay for this week's agreed £280m takeover of Ted Bates, or whether, having raised the cash, it could then afford to go on a more aggressive spending spree.

Even with no more rights issues, the Government will be putting more than enough paper on to the market to mop up any spare cash. It will be raising a further £3.5bn between now and next April, the bulk of which will fall into this year with the £2.5bn British Gas flotation, and a further £300m from the sale of Royal Ordnance.

Furthermore, the TSB flotation, which is likely to take place this autumn, may raise about £1bn, while there is no let up in sight to the steady pace of small and medium-sized companies which are coming to the market.

Antidote against heart drug overdose launched

BY DAVID FISHLOCK, SCIENCE EDITOR

AN ANTIDOTE against overdosing by digitoxin, a natural drug widely used to stabilise erratic heart performance, is being brought to the market in both Britain and the US this summer.

The move was disclosed by Wellcome Biotechnology, the biotechnology arm of the Wellcome Foundation to coincide with the start of Biotech 86, the international biotechnology exhibition and conference at Wembley yesterday.

Wellcome Foundation has been granted a product licence by the US Food and Drug Administration for the first specific antidote against two drugs widely used to regulate heart problems. The antidote, called Digibind, is injected and usually reverses toxicity within four hours.

Digoxin and digitoxin, are both highly toxic drugs which can easily lead to life-threatening overdoses. They are being used to treat heart problems in about 4m people in the US, it is estimated.

In the late 1970s an eminent US heart surgeon, Dr Tom Smith, hit on the idea of reversing digoxin poisoning immunologically, by treating it with an antibody.

Dr Smith showed that this could be done, then approached Wellcome with the idea of making the antibody in quantity as a therapeutic agent.

Wellcome developed a source of the serum in a flock of sheep.

It purifies the sheep serum to separate an antibody fragment, which it claims can be used to treat the 10,000 or more US heart patients a year who suffer intoxication.

Wellcome claims it is the first example of an immunological antidote for a plant poison to reach the market, and the first known purified antibody fragment in clinical therapy.

UK MERCHANT BANKS

Living in a golden age

By David Goodhart

IT IS rare these days to meet a merchant banker without being subjected to a defensive account of how hard he is working, how he has not taken a holiday for over a year and, in any case, how he is not earning anything like as much as his rich cousins in broking and eurobond dealing.

Perhaps so. But there is no denying that the kings of corporate finance (the merchant bank takeover departments) are enjoying a golden age. The profits increase of Britain's top three merchant banks would be a far-away dream in many industries.

It is true that only a part of this profit growth has come from the underwriting commissions and advisory fees derived from takeovers. But as both types of payment are conventionally worked out as a set percentage of the value of a deal, the recent upward spiral in bid values has had a powerful impact on the corporate and individual pockets of the bankers.

In the past year Morgan Grenfell, with one of the biggest corporate finance departments, claims to have underwritten about £4bn in takeovers and rights issues. Its underwriting commission from the Guinness bid for Distillers was £14m.

Takeover underwriting arrived several years ago with the cash alternative and is now a feature of almost all big bids. It involves the underwriter agreeing to provide shareholders in the target company with cash in exchange for the bidding company's shares. For the risk of possibly having to accept a large number of shares, which may have a *fast-declining* value, the underwriters receive payment based on set percentages of the amount underwritten.

THE PROFITS RECORD

Results of the three major UK merchant banks

	1983	1984	1985
Kleinwort Benson (pre-tax)	£32.5m	£44.5m	£60.3m
Morgan Grenfell (pre-tax)	£16.48m (post-tax)	£38.8m	£54.5m
S G Warburg (post-tax)	£15m	£18.2m	£24.9m

Payment has conventionally been divided between the lead underwriter, usually the merchant bank, which receives ½ per cent, the brokers who receive ¼ per cent, and the sub-underwriters, the investment institutions, who receive a ½ per cent "commitment" fee for the first 30 days (plus ⅛ per cent for each subsequent week) followed by a ¾ per cent acceptance payment when the offer is complete.

In a bull market the underwriting risks shrink while the sums underwritten roar ahead. This has recently caused some client pressure for a reduction in the rates. The Government set the trend with competitive tendering for the lead underwriting role on privatisation issues which cut the ½ per cent to as low as ¼ per cent.

But the oligopoly of top merchant banks has scarcely suffered from the advance of this competitive lead underwriting into the takeover arena. Indeed, the advent of success-geared underwriting rates pioneered by Samuel Montagu for Argyll's bid for Distillers and subsequently copied by Demerger, Norton Opax and others, has probably been necessary to keep up the flow of takeovers.

If Samuel Montagu had not agreed to take only ¼ per cent lead underwriting commission if the bid failed (¾ per cent if it succeeded) and the brokers had not agreed to cut their commission to 1/16 (⅛ per cent for success) the costs would have been prohibitive for a company like Argyll aiming for a larger one like Distillers.

Samuel Montagu also for the first time arranged for a "core group" of sub-underwriters—in addition to the lead underwriters—to accept success-geared commissions. But the bulk of sub-underwriting will remain at the standard rates for the foreseeable future. The *Association of British Insurers* and the National Association of Pension Funds argue that, contrary to popular myth, nobody makes a lot of money on sub-underwriting and in the few hours available to underwrite a bid it would be impossible to undertake a proper competitive tender.

So aside from the slight shaving of some underwriting commissions in the event of failure, all the pressure on takeover costs has been upwards. The combined cost to Argyll and Guinness of their recent contest for Distillers was an astonishing £160m.

Guinness, the victor, had to pay about £110m — of which £60m was underwriting and advisory fees, £35m stamp duty and £15m advertising and printing costs. Argyll was left carrying close to £40m in underwriting costs and another £10m in advertising, printing and other fees.

The merchant banks' advisory fees from takeovers — a second source of income—are shrouded in rather more mystery than underwriting commissions. In recent years they, too, have been calculated as a percentage of the value of a deal and most senior corporate financiers agree that ½ per cent has become the average for a medium-sized deal.

The figure can rise to over 1 per cent for smaller deals where almost the same resources are used as for a big bid. At the other end of the scale in the multi-billion pound deals where the banks are already receiving handsome remuneration from underwriting commissions, the ½ per cent is in some cases cut back to virtually nothing.

Samuel Montagu received less than £500,000 in advisory fees for its widely applauded defence of Argyll. Morgan Grenfell has lodged a claim for a large advisory fee from Guinness but is likely to be beaten down in the light of the underwriting commissions already received.

The latter fee negotiation highlights the continuing informality of "gentlemen's agreements" over payment. It is still quite rare, especially when advising an aggressor, for a merchant bank to name a specific fee at the outset.

The rather lower advisory fees for a defence have become more formal, particularly since 1981, when GEC made a successful bid for Averys and then refused to pay Schroders, Avery's advisers.

Notwithstanding the occasional difficulty in collecting, top merchant banks have been enjoying the pleasures of a strong sellers' market for their services. The average 1 per cent fee (from a deal combining both underwriting and advisory fee) now represents a far higher sum than it did five years ago when most corporate finance departments were barely breaking even.

While income has soared, costs have risen comparatively slowly. Corporate finance is about skilled personnel and fortunately for the banks it needs only a few more people to work on a multi-billion pound deal than it does to work on a £10m one.

Though staff numbers have been controlled, salaries have raced ahead. Morgan Grenfell's accounts for 1985 reveal that the average pay for its 15 directors last year was £147,000, nearly double the average for 12 directors in 1984 of £82,000. The highest paid director in 1985 earned £300,000 compared with £206,000 in 1984 and five directors were paid more than £200,000 last year compared with only one in 1984.

The justification for this situation is the immense increase in the workload.

In the short term, the fat profits and big salaries look secure. In the highly imperfect market for specialist financial advice the consumer—the company bidding or being bid for—is in a vulnerable position. As one managing director said: "When you think you might be dying you don't quibble over doctors' fees."

British merchant banks are fond of justifying their fees by reference to "astronomical" fees and salaries in the US. It is true that because there is no exact equivalent to UK underwriting commissions in the US, the purely advisory fee is much higher, particularly in small deals where a bank may charge 2 or 3 per cent of value. But in deals of over $200m the percentage charge usually slips back to about 1 per cent, not far from the UK level.

Fatter cats or not, the American banks may yet prove to be the longer term agents for cracking the merchant bank cartel in London.

UK NEWS

Ministry unit will tackle unfair trading complaints

BY PETER RIDDELL, POLITICAL EDITOR

A MORE aggressive approach by the Government towards alleged unfair trading practices against British companies was yesterday signalled with the establishment of a new unit within the Department of Trade and Industry (DTI).

Mr Alan Clark, Minister for Trade, announced yesterday that the department was expanding the coverage of its anti-dumping unit to co-ordinate work on complaints about all forms of unfair practices in international trade. The new body would be called the Unfair Trade Unit.

He said his aim was to enable the DTI to respond more quickly as well as to build up a more complete picture of such complaints.

This reorganisation reflects a fundamental shift of emphasis in policy since Mr Clark was appointed four months ago. There has been a movement away from a purely free trade approach towards a more mercantilist emphasis in which the state takes active steps to promote the interests of British companies in exports and resisting imports.

The change has also been reflected in the expansion of aid and trade provision in support of exporters, as well as in the Government's approach to the forthcoming Gatt round of talks on trade barriers.

Mr Clark has said that the objectives will be "a better balance of rights and obligations" with the newly industrialising countries, which implies a much tougher approach.

Announcing the establishment of the unit yesterday, Mr Clark said he was concerned about the number of complaints reaching him about imports into Britain which did not comply with internationally agreed rules on trade. He said he was "anxious to see that all such complaints are looked at carefully and quickly."

The unit continues to advise British industry on matters of dumping – where goods are well below the home market price or subsidised – but will also have the first responsibility for looking at other cases where there are complaints that goods are being traded unfairly.

Mr Clark said that the unit would ensure that such complaints were carefully and quickly examined to see if any action could be taken.

This reflects a desire for the Government to take a more active approach as, for example, do the French.

Christian Tyler, Trade Editor, writes: The announcement suggests that Britain is following the US in putting the emphasis on "fair" rather than merely "free" trade.

Of the complaints from British companies or trade associations, the most pressing appears to concern the sale of photocopiers from Japan.

Other cases concern acrylic fibres from Turkey, Romania, Mexico and Israel, domestic freezers from the Soviet Union and Yugoslavia, and paintbrushes from China.

The staff of eight in the anti-dumping unit will be increased by one or two to handle complaints from British industry.

Thatcher faces 'lame duck' jibe

BY IVOR OWEN

WITH A jocular gesture Mrs Margaret Thatcher, the Prime Minister, yesterday gave her first public response to the suggestion by Mr John Biffen, the leader of the House of Commons, that she should fight the next general election on a "balanced ticket" which includes her likely successor as leader of the Conservative Party. Concern within the Tory party over its leadership followed the heavy electoral setbacks of last week.

Mrs Thatcher seized on a question by Mr Roy Mason (Labour) who claimed that Mr Biffen had already labelled her a "lame duck" Prime Minister, to mount a performance of simulated unconcern.

In tones of mock seriousness Mrs Thatcher indicated that she was already riding tandem with Mr Biffen by saying that he had asked her to reply – during Prime Minister's question time – to Mr Mason.

To laughter and cheers she went on to insist that Mr Biffen's weekend comments had included many "robust policy points" with which she entirely agreed.

Mrs Thatcher relied on a mixture of banter and belligerence – and emphasis on the fact that Britain is heading for the lowest inflation rate since the 1960s – to counter a sustained barrage of taunts and jibes from the Opposition benches. These rubbed in the extent of the reverse which the Government suffered in last week's by-elections and local government elections.

In an attempt to preserve some of the ingredients which the Government contributed to Labour's success, Mr Michael Foot the party's former leader, demanded an assurance that the Prime Minister's idea of a balanced team would entail retaining Mr Norman Tebbit, as chairman of the Conservative Party, and Mr Jeffrey Archer as his deputy.

To Government cheers Mrs Thatcher retorted: "A balanced team won in 1979, and in 1983 and hopes to gain a third return ticket."

Mr Neil Kinnock, the Labour leader, led the guffaws from the Opposition front bench when she maintained that the message from the polls amounted to "a shattering rejection of Labour policies" and not, as contended by Mr John Fraser (Labour), a rejection of Government policies.

Mr David Steel, the Liberal leader, optimistically invited the Prime Minister to agree that the most significant woman present in the chamber was Mrs Elisabeth Shields, the new Liberal MP who captured Ryedale from the Conservatives in last week's by-election.

Mrs Thatcher icily recalled that similar comments had been made about Mrs Shirley Williams when she won the Crosby by-election for the Social Democrats, but the seat had been regained by the Conservative Party at the following general election.

In a series of clashes with Mr Kinnock, Mrs Thatcher argued that difficulties being experienced by 11 London teaching hospitals was a consequence of the policy of re-allocation of resources in favour of hospitals in the north of England initiated by the last Labour government.

She emphasised that spending on the National Health Service had increased from £7.5bn in 1979, when Labour left office to £17.5bn at the present time. Mr Kinnock caustically reminded the Prime Minister that the Government had now held office for seven years and accused her of failing to distinguish between statistics and people. "Statistics do not feel pain but people do," he said.

Opposition to strikes found in Whitehall

By David Brindle

AS MANY as 80 per cent of the members of the Civil and Public Services Association (CPSA), the biggest Civil Service union, are not willing to take industrial action in any circumstances, according to a survey.

Almost half of those opposed to industrial action said they took the view that it would not be effective. Another third said they were against action on principle and a further 25 per cent said they did not wish to lose pay.

The findings are likely to militate against any general industrial action, as opposed to selective action, being launched by the CPSA in the foreseeable future.

The survey, conducted by MORI research, was commissioned by the 140,000-strong union primarily to collect information about members' pay and working conditions. It was based on 1,224 returned questionnaires and 457 follow-up interviews.

When asked what the CPSA's negotiating priority should be, 33 per cent said pay and 28 per cent said job security.

Pay, promotion, staffing levels and pay structure featured strongly as areas of dissatisfaction. However, only 32 per cent expressed dissatisfaction with annual leave entitlement and 23 per cent with the length of the working week, indicating that these issues will continue to be given low priority in future negotiations.

The survey concludes that CPSA members have "a certain lack of confidence" in the union's ability to improve their conditions and it gives a warning that attention must be paid to members who feel that the national organisation lacks the ability to carry out policies.

● An attempt led by hard-left delegates to reject a new technology deal agreed last Friday for clerical grade civil servants was defeated yesterday at the CPSA annual conference.

Mr Alistair Graham, CPSA's general secretary, had said that the union would be "torn apart" and would not survive a decision by conference to reject the deal after it had been approved by a majority of 53 per cent in a membership ballot.

Labour prepares options for public takeover of BT

BY DAVID THOMAS, LABOUR STAFF

BRITAIN'S opposition Labour Party is considering options for bringing British Telecom back under public control, including issuing a novel consumer bond to every customer and reacquiring a minimum 75 per cent stake in the company.

This is revealed in a confidential paper by the Union of Communication Workers (UCW) for a working party on public ownership chaired by Mr John Smith, the party's trade and industry spokesman.

The working party is close to reaching its decisions, which will take the form of a report to the party's annual conference, and the UCW paper raises some of the main issues discussed by the working party.

The paper proposes a two-stage process for bringing British Telecom back under public control. The first involves actions which could be taken immediately by an incoming Labour government without legislation and include:

- Revoking parts of the Conservative Government's letter of intent, included in the privatisation prospectus, which stated that the Government did not intend to use its rights as an ordinary shareholder to intervene in commercial decisions or to vote at shareholder meetings;
- Activating powers and duties given to the Trade and Industry Secretary in the 1984 Telecommunications Act, including those designed to protect the interests of customers and the public, and promote Britain as a telecommunications centre;
- Calling a special general meeting of British Telecom to replace the chairman and the board, which would be reconstituted to reflect interests such as Government, management, consumers and workers;
- Ensuring that Oftel, the regulatory body, protects the consumer interest better by, for instance, establishing local consumer groups.

The UCW paper also considers what Labour should do as a second stage, including legislation. It stresses the need to avoid actions which would be opposed by small shareholders and employee shareholders.

At this second stage, the paper's proposals include:

- Acquiring a stake of at least 75 per cent – the minimum needed, according to the paper – to change the company's articles of association and thereby ensure complete control;
- Issuing all British Telecom's customers with a stake in the company, possibly to be held as a consumer bond, which would entitle them to a say in the company's direction;
- Integrating Cable and Wireless and its Mercury subsidiary into British Telecom;
- Redrawing the telecommunications monopoly to cover the trunk network, all telephone lines up to and including the first instrument on a customer's premises, voice communication by cable television and the cellular radio network, but excluding all telecommunications apparatus other than the first instrument.

Radiation incidents 'will be revealed'

BY KEVIN BROWN

THE GOVERNMENT was prepared to publish details of all future incidents in British nuclear power stations involving a release of radioactivity, Mr Kenneth Baker, the Environment Secretary, told the House of Commons yesterday.

This concession, which would be a return to the procedure adopted by the last Labour government, follows the disaster at the Soviet Chernobyl power station last month and a minor incident at the Dungeness reactor in Kent, south-east England.

Mr Baker made clear during a Commons debate that civil nuclear power remained a key component of the Government's energy strategy, not least because of the competitive advantage being gained by industrial countries with more advanced nuclear programmes.

He insisted, however, that safety in design operation and waste disposal would continue to be the supreme consideration in government planning.

The debate exposed the continuing tensions in the Labour Party between those members of the shadow Cabinet headed by Dr Jack Cunningham, the environment spokesman, who favour maintaining Britain's civil nuclear power programme, and those such as Mr Tony Benn, the former Energy Secretary, who sympathise with the call of the last Labour conference for the nuclear programme to be scrapped.

Dr Cunningham accused the Government of lacking a coherent strategy for civil nuclear power and called for a comprehensive review of the overall programme. He said the nuclear programme had been bedevilled by secrecy, obfuscation and the deliberate withholding of information from communities which had a legitimate right to receive it.

He said civil nuclear power had a role to play in British energy policy but there was no case for the introduction of the new generation of pressurised water reactors planned for Sizewell in Suffolk and elsewhere. A future Labour government would expand the role of coal-fired power generation and would not order new nuclear power stations.

Dr Cunningham said the safety and environmental problems of disposing of nuclear waste could not be solved by ducking the issue or by closing the reprocessing industry.

Mr Baker said the disaster at Chernobyl would have a profound effect on public opinion and the assessment of nuclear power because ordinary people had been brought face to face with the possible consequences of a nuclear accident. But he urged opponents of the industry to remember that nuclear electricity provided security of supply at a low price with some environmental advantages.

LONDON STOCK MARKET COUNCIL BACKS JOINT REGULATORY BODY

Exchange may merge with Isro

BY BARRY RILEY, FINANCIAL EDITOR

A MERGER of the London Stock Exchange and Isro, the International Securities Regulatory Organisation, within the next year could be the outcome of general support at a meeting of the Stock Exchange Council yesterday for the principle of a joint regulatory body.

According to an exchange spokesman, backing for the plan was unanimous but many practical details still needed to be worked out.

In a joint press statement, the two bodies said that a working party would discuss the formation of a single potential self-regulatory organisation (SRO) combining stock exchange member firms and Isro members.

They added that the governing body of the new organisation would be representative of the combined membership.

The discussions would also consider "relationships between markets, both debt and equity," apparently referring to the Eurobond market which is a major activity for many Isro members. Isro is made up of 190 banking and securities firms, mainly foreign owned, which trade in Eurobonds and equities.

Isro members would have full access to the stock exchange's market in equities, thus ending the risk of fragmentation, which has especially threatened the markets in international grade British stocks.

It is not clear, however, whether the new combined SRO would have the same close relationship with the Eurobond market as with the equity and gilt-edged markets.

According to existing plans, the Zurich-based Association of International Bond Dealers (AIBD) will set up a more formal trading system suitable for approval by the Securities and Investments Board (SIB) in the UK as a Recognised Investment Exchange (RIE). At present, Eurobond trading is informal and unregulated.

Although the combined stock exchange/Isro SRO would be the natural body for London Eurobond houses to join, in order to obtain the authorisation necessary under the new legislation, other investment businesses – perhaps registered directly with the SIB, or those based overseas – would have access to the Eurobond RIE.

The stock exchange is still insisting that only its own member firms will have access to its equity and debt markets although this appears to be in conflict with draft rules issued by the SIB concerning the relation between SROs and RIEs.

Mr Jonathan Agnew, chief executive of Isro, said yesterday: "It would appear that there would be rather different relationships with the existing stock exchange and the AIBD."

Trusts oppose sales cooling-off period

BY ERIC SHORT

THE UNIT Trust Association (UTA) yesterday attacked a proposed 14-day cooling-off period on unit trust sales.

Its opposition to the proposals made by the Marketing of Investments Board Organising Committee (Miboc) is however still not considered strong enough by some unit trust management groups within the association.

In December, Miboc, which oversees the marketing aspects of financial services, proposed that all investors buying life assurance contracts or investing in unit trusts should have the right to change their minds during a cooling-off period after the sale and get their money back.

The main aim of such a cooling-off period is to ensure that investors have the opportunity to reconsider their original decision, especially if this resulted from an unsolicited call from a salesman.

The Miboc document also put forward the proposal that life assurance and unit trust salesmen should be allowed to make such unsolicited calls on people, either directly or on the telephone, referred to as cold-calling.

Cold-calling is a recognised feature of life assurance marketing, but at present banned in unit trust sales. The established unit trust groups would like this ban to continue, with marketing taking place only through intermediaries and media advertisements. Newer unit trust groups, particularly those linked by life companies, are in favour of cold-calling.

The UTA, reconciling the views of all its members, accepts cold-calling but feels that in such cases the investors needs extra protection.

So the UTA has told Miboc that, since unit trusts may be sold only to the public by authorised businesses run by fit and proper persons, then logically the cooling-off procedure should be limited to sales generated by a cold-call.

It reinforces its argument by spelling out the administration problems and extra costs involved, costs that will be borne by existing unitholders or the management groups.

Mr Alan Maidment, chief executive of Wardley Unit Trust Managers, the unit trust arm of Hongkong Banking Corporation, who has been bitterly critical of the association's approach to the subject, gave a guarded welcome to the document.

Hawley bids £145m for Pritchard Services

BY DAVID GOODHART

TWO OF Britain's leading cleaning groups – Hawley Group and Pritchard Services Group – were yesterday locked in take-over combat as Hawley announced a one-for-one share offer valuing Pritchard at £145m.

A bid was not unexpected especially after Pritchard last week announced a pre-tax slump in profits from £15m to £10m. But the Pritchard board rejected it as "opportunistic in its timing and not adequately reflecting the underlying strengths of the business."

Hawley Group, which is now registered in Bermuda, has grown rapidly since 1981 over a range of service industries. The company and its chairman, Mr Michael Ashcroft, have, however, found it difficult to shake off a controversial image acquired through the regular buying and selling of minority stakes in other companies.

Nevertheless, Hawley's ability to increase its stake in Pritchard from 1 per cent to just under 30 per cent yesterday suggests that it has a good chance of winning control.

Pritchard became well known in the early 1980s in the disputes over the privatisation of local and central government cleaning services. It has five divisions, but like Hawley, which has three, the biggest is cleaning. Another similarity is that both groups have diversified heavily into North America.

GEC adds Japanese exchange to range

BY JASON CRISP

THE GENERAL Electric Company, one of Britain's leading telecommunications manufacturers, is to sell a private telephone exchange (PABX) made by NEC of Japan.

GEC Reliance, which sells telecommunications and computer equipment to the users, has added the NEC exchange to its product range.

Although its sister company, GEC Telecommunications, does still make the Monarch, a similar-sized exchange, it can only sell it to British Telecom within the UK.

Monarch, developed by BT, is made by both Plessey and GEC, but orders have fallen sharply from the peak of two to three years ago.

Reliance sells a number of other digital exchanges. The medium-sized product from NEC fits between a small exchange made by Dellfield, a UK company, and GEC's version of a large exchange developed by Northern Telecom of Canada.

Racal, which operates one of the two competing cellular radiophone networks, yesterday launched its first telephone both designed and manufactured in the UK.

Its new Citifone is a hand-held telephone which will compete with a similar product from Motorola, which to date has dominated this sector of the market.

Although cellular radio has been very successful in Britain, up until recently most equipment sold has come from Japan, the US and the Nordic countries. Motorola, of the US, and Racal are making mobile telephones in the UK.

Grumman proposes new 'solution' for Nimrod

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT

A NOVEL approach to solving the problems surrounding Britain's controversial Nimrod airborne early warning system has been proposed to the Government by the Grumman Corporation of the US.

Grumman, one of three US companies invited last March to tender for possible replacements for the Nimrod system, has proposed fitting an existing US radar and avionics system into Britain's Nimrod aircraft, which was built in the 1970s based on a Comet airframe.

Mr Rolph Larson, senior vice president of Grumman International, claimed in London yesterday that the company's solution would cost under $600m and would therefore be the cheapest on offer.

The Grumman proposal was discussed by Mr Larson with the Ministry of Defence (MoD) yesterday. It would take the General Electric APS 138 radar and the computer and processing equipment built by Litton Data Systems and Goodyear Aerospace, which is deployed in Grumman's Hawkeye EC2 early warning aircraft, and fit them into the 11 Nimrod airframes.

The US equipment would replace the radar and avionics system which has been developed by GEC Avionics. The GEC equipment has failed to perform to the RAF's satisfaction and is already three years late in entering service. The Nimrod project as a whole has so far cost nearly £1bn.

Mr George Younger, the Defence Secretary, decided in February to open a competition for the early warning aircraft after the failure of negotiations with GEC to produce a satisfactory answer to the cost overruns and delays.

GEC remains in the competition, having been given six months from last March to prove whether it can complete Nimrod on a fixed-price, fixed-term contract. The other US companies tendering are Lockheed, with its newly developed P3 Orion, and Boeing with the Awacs (advanced warning and control system) aircraft, already in service with Nato.

Grumman would appear to suffer one principal disadvantage in the competition in that it cannot produce firm prices until it has negotiated a deal with British Aerospace (BAe), which would be its prime contractor in fitting the equipment into Nimrod. BAe is maintaining a neutral position. It is the prime contractor with GEC Avionics.

Levy on audio tapes 'unfair to public'

BY RAYMOND SNODDY

THE GOVERNMENT's plan for a levy on blank audio tapes was described yesterday by the Tape Manufacturers' Group as an administrative nightmare that would be grossly unfair to the public.

Mr Christopher Hobbs, chairman of the group and general marketing manager of 3m, said research showed that about 70 per cent of tape buyers used their blank tapes to record music on which copyright fees had already been paid.

"To introduce a levy will mean that the vast majority will have to pay twice and we believe this is grossly unfair," Mr Hobbs said. Last month the Government published its White Paper (policy document), on Intellectual Property and Innovation, which included proposals for a 10 per cent levy on blank audio tapes with a playing time of more than 35 minutes.

A survey by NOP Market Research for the group showed that half of blank tape recording time was used to record an individual's own records. A further 18 per cent of home taping time was used to record radio broadcasts. Copyright fees were already paid on both.

"The survey found that the majority of people tape albums either to preserve an LP's pristine condition or to allow them to play their music in their car or personal stereo," Mr Hobbs said.

The survey shows that the heaviest buyers of blank tape also buy large amounts of pre-recorded music. The group argues that the levy would actually add between 20 and 25 per cent to the retail cost of blank tapes and would need the creation of a cumbersome collection agency.

Increased credit cards business reflects buoyancy of spending

BY WALTER ELLIS

RETAIL CREDIT advances in March slipped back slightly to £2.21bn – down £108m on the figure for February – but the total amount of credit outstanding continued to grow, to stand at £21.7bn.

The amount of credit being extended via credit cards actually rose in March, compared with February, from £790m to £839m. The Department of Trade and Industry (DTI) said that there was an apparent trend away from fixed-sum credits towards credit cards. The total on cards was, however, sharply down from the January figure of £1.13bn, which reflected the traditional Christmas spending boom.

Finance houses and other specialist credit agencies advanced a total of £993m, against £1.14bn in February, and the retail sector contributed £378m – a decline of £14m.

Despite the dip in March, the underlying trend in credit provision is up. Credit card advances have only been included in the official figures since January, but even allowing for this significant addition to the available data, the March figures for this year are sharply up on those for the same month last year.

Provisional figures for April, due to be announced by the DTI next Monday, could, according to some observers, show a further slight fall in the volume of credit advanced.

On the retail sales front March saw the final, seasonally adjusted, index reach 119.8, well above previous levels and higher than had generally been forecast. The increase for March had been set provisionally at 1.9 per cent, and the Confederation of British Industry (CBI) felt the final figures would come out somewhat lower. In fact, the rise turned out to be 2.2 per cent.

The CBI said yesterday it was a little surprised that the adjusted figure for March had been revised upwards so much. An early Easter this year could have affected the trend, it thought. It now looked ahead to the joint CBI/Financial Times distributive trades survey, due out next week, for another view.

Broker Rowe and Pitman, Mullens attributed the "surprisingly strong" March increase to an underlying buoyancy in consumer borrowings, aided by tax cuts in the budget, lower interest rates and higher house prices.

Bad weather in February could have affected sales then, according to the DTI, so that the March figure could prove unusually high. Nevertheless, the March index remains the highest since the index began in 1980.

Banks lent on overvalued gems

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

FIFTEEN international banks that lent SFr 80m (£27m) on the security of gems that turned out to have been fraudulently overvalued, claimed in the High Court in London yesterday to be indemnified by insurers that had guaranteed repayment of the loans.

The insurers disputed the claim, which amounts now, with interest, to between £35m and £40m, on the grounds that the policies they wrote contained clauses excluding them from liability in the event of fraud.

The banks – which included Banque Keyser Ullmann, Chemical Bank, American Fletcher Bank (Suisse), Arbuthnot Latham & Co, Banque Arabe et Internationale D'Investissements and Slavenburgs' Bank (Suisse) – also alleged that the insurers were in breach of duty.

They alleged that the lead underwriter discovered that an insurance broker had been fraudulent and issued cover notes in respect of non-existent insurances fundamental to the banks' security, but did not tell the banks and went on writing further insurance through the same broker.

The insurers were Skandia (UK) Insurance Company, Ennia (UK), Prudential Assurance Company, Winterthur Assurances, Westgate Insurance Company (formerly Hodge Mercantile & General Insurance Company) and Compania Americana De Seguros Y Reaseguros.

In 1980-81 the banks lent a total of SFr 80m (about £21m at then values) to four Liechtenstein companies: Ultron Etablissement St Georges, Holdings St Georges and Deminter.

The loans were to finance the development of a tourist "pleasure land" in Menorca and a Chilean fruit company.

Both projects were planned by Jaime Ballestero, the son of a Spanish banker and a Bolivian tin heiress, former manager of Banco Espanol de Credito and a shareholder in the four Liechtenstein companies.

The collateral for the loans was gemstones – emeralds, rubies and sapphires – lodged with the banks with professional valuations showing that they were valued at twice the loans. The banks also insisted on being insured against default.

The loans were not repaid and the gemstones, which had been valued at about SFr 160m, turned out to be worth substantially less – their actual value still being a matter of dispute.

Wage talks for 1m workers end in stalemate

By David Brindle

TALKS ON an early pay settlement for more than 1m local government manual workers collapsed yesterday after the Government pressed the employers not to go ahead with the deal.

Negotiations had centred on the Labour-led employers' willingness to offer 6 per cent and the unions' demand for £6 a week, or 6.7 per cent. The gap yesterday could not be bridged. This followed a meeting on Monday night between the employers' leaders and a four-strong team of ministers from the Environment Department and the Treasury, led by Mr Kenneth Baker, Environment Secretary, in which the Government made plain its displeasure at the prospect of a deal of 6 per cent or more at a time when inflation had fallen to just over 4 per cent.

Mr Jack Droney, chairman of the unions' negotiating committee, said last night "The employers had a chance for a quick deal but they blew it. The Government says 'no move beyond 6 per cent' and they were foolish enough to listen to them."

The employers however, discounted the Government pressure and indicated the failure was more to do with their reluctance to offer more than 6 per cent, the benchmark established in separate talks for council building craftsmen and civil engineering workers.

Unions now plan to draw up a conventional pay claim for negotiation this summer

Tokyo heads survey of most expensive cities

BY ANDREW TAYLOR

A COST of living index, with London at 100, shows Tokyo at 188.3 as the most expensive city in 29 European, US, Middle Eastern and Pacific countries.

The index, measured by a survey entitled International Transfers for Economist Publications, compares the cost of living for expatriate employees, married with two children, in different countries.

The second most expensive place on this basis is Dubai, at 155.3, with Bahrain at third place at 151.1. Riyadh, the Saudi Arabian capital, is in fourth place at 143.7.

The most expensive European cities are Helsinki and Oslo.

The survey claims that a salary of $52,194 paid to a head of department in London compares with $93,860 in New York and $100,767 in Geneva.

In a survey of the total costs of maintaining an office (see table), London is in 13th place despite the fact that the cost of office accommodation is second only to New York. This reflects the lower UK salaries for executives and office staff.

International Transfers, £275, Economist Publications, 40 Duke Street, London W1A 5DW.

COST OF MAINTAINING AN OFFICE

	National head of dept. $	Bilingual secretary $	Office space $	Car $	Total $
1 New York	93,860	35,400	21,188	2,617	[illegible]
2 Geneva	100,767	36,895	10,656	3,371	[illegible]
3 Paris	79,167	27,719	11,968	4,449	[illegible]
4 Frankfurt	80,197	27,926	6,933	3,297	[illegible]
5 Vienna	79,817	28,169	4,636	3,996	[illegible]
6 Brussels	80,410	25,925	4,613	3,841	[illegible]
7 The Hague	74,918	26,794	4,359	3,774	[illegible]
8 Stockholm	68,302	22,426	9,134	3,393	[illegible]
9 Copenhagen	67,393	22,667	4,826	4,589	[illegible]
10 Rome	65,659	22,641	5,575	3,840	[illegible]
11 Oslo	60,458	22,233	6,912	4,205	[illegible]
12 Luxembourg	61,736	20,719	5,074	2,821	[illegible]
13 London	52,194	14,366	18,634	3,892	[illegible]
14 Helsinki	57,146	21,073	5,243	4,729	[illegible]
15 Madrid	47,675	15,928	4,594	3,077	[illegible]
16 Dublin	43,228	14,342	5,839	4,713	[illegible]
17 Athens	28,503	11,462	2,427	4,793	[illegible]
18 Lisbon	22,542	7,630	3,666	4,847	[illegible]

Source: The Economist Publications

Part-time workers have 'fewer rights'

BY DAVID THOMAS, LABOUR STAFF

PART-TIME workers in Britain have many fewer employment rights than in other countries, according to a report by the Labour Research Department, an independent research group.

In Britain, many employment rights depended on employees working more than a certain number of hours in a week; but Austria, Belgium, Denmark, France, Greece, Luxembourg, Netherlands, Norway, Spain, Sweden and Switzerland did not distinguish between full and part-time workers in relation to employment rights, the report said.

The growth of part-time workers was concentrated in the service sector. Four industries accounted for more than half of all female part-timers. They were retail distribution, hotels and catering, education, and medical and other health services.

The greater use of part-time workers fitted in well with an employers' wish to have a more flexible workforce, the report said, partly because they were less likely to be in unions.

Part Time Workers: LRD, 78 Blackfriars Rd, London SE1 8HF. £1.15.

UK NEWS

Lloyd's to fight any legal action by underwriting group

BY JOHN MOORE

LLOYD's, the London insurance market intends to fight any legal action mounted by underwriting members in the US in connection with alleged irregularities surrounding the troubled PCW agency.

Mr Alan Lord, Lloyd's chief executive, said yesterday that Lloyd's would be fighting any action taken against it by the underwriting members "inch by inch."

His comments follow an initiative earlier this month by a steering group representing 400 underwriting members of Lloyd's who, with a further 1,100 underwriting members, are facing more than £130m in insurance losses.

In the UK, the steering group has alleged against Lloyd's and 36 other parties that about £130m of insurance losses were directly linked to irregularities, by former management of the PCW agency, in which £40m belonging to the underwriting members was secretly diverted.

The 400-strong steering group, led by Lord Goodman, the British lawyer, has called for all the underwriting members affected by the PCW affair to unite in mounting legal action in the US as well as in the UK. They intend to sue under the US Racketeer Influences and Corrupt Organisations Act of 1970 against Lloyd's and other companies in the Lloyd's market.

If the suit is successful under this legislation, the members could claim triple damages which might amount to £390m.

The new initiative is supported by a company, Additional Underwriting Agencies Number 3, created by Lloyd's itself to look after the affairs of the PCW underwriting members in the wake of the troubles at the agency.

Mr Lord said yesterday that Lloyd's was committed to a settlement in the PCW affair but officials had found the overtones of the planned US litigation "offensive." It might mean that any chance of a settlement in the PCW affair — in which the losses of the 1,500 underwriting members might be met by possible defendants in the proposed litigation together with a contribution from the entire Lloyd's market — might be jeopardised.

Legal proceedings have not so far been issued against Lloyd's by the underwriting members' US lawyers although at present a complaint is being drafted.

Mr Lord added that if litigation were to be commenced, Lloyd's might challenge it on the grounds of jurisdiction. Lloyd's is expected to argue that it cannot be sued outside the English courts by its underwriting members.

Charter airline seeks service to Singapore

BY LYNTON McLAIN

LONDON EXPRESS Aviation, a charter airline based at Stansted airport, north of London, wants to start a twice-weekly service to Singapore in October. The service would offer travellers the prospect of a fortnight in Singapore for less than £500.

All seats on the company's Boeing 747 jumbo jet will be sold to holiday tour companies on annual contracts, for £380 each, "more than £100 less than present fares on scheduled services," the airline said earlier this week. So far, no tour companies have signed contracts for seats, but talks are under way with several operators. The jumbo jet will be fitted with gaming machines for passengers to use on the 15-hour flight.

London Express Aviation was granted a licence by the Civil Aviation Authority (CAA) in October for charter flights between Stansted and Singapore, subject to the provision of documentation confirming the support of tour operators and the acquisition of financial resources before the start of services.

The Singapore Government gave permission in January for flights into Singapore. London Express also applied for permission to fly into Hong Kong, but it was rejected. The airline applied to the CAA last month for a licence to operate inclusive tour services between Stansted and Bangkok and is waiting for a decision.

Lloyds Bank's London offices to reorganise

BY WILLIAM COCHRANE

LLOYDS Bank is to reorganise its City of London buildings in a five-year programme which will take about 1,100 of its staff south of the Thames to Hay's Galleria in the Arab-owned London Bridge City development.

The bank says that its growth and the merger with Lloyds Bank International, effective on January 1 last, have resulted in it having a large number of buildings which are widely dispersed in the City and not all up to modern standards. At present the 4,500 head office and Lloyds Merchant Bank staff are housed in 23 locations.

Lloyds says that it is also negotiating to acquire a site in the City to accommodate up to 1,600 staff. The building will be fitted to the bank's requirements and is hoped to be occupied during 1988.

A large part of the head office building in Lombard Street will undergo refurbishment to modern standards and will be vacated in 1989 for about two years.

The Hay's move is the seal of City approval for the London Bridge City development of the Kuwaiti-owned St Martin's Property. The development will eventually include 2m sq ft of offices stretching from London Bridge to Tower Bridge on the south side of the Thames.

Banking observers were saying last night that if Lloyd's bid for Standard Chartered were to be successful, there would be further reorganisation in due course.

How to defuse the Mexican debt crisis

By John H. Makin

THERE ARE two views on how to defuse the intensification of the debt crisis brought on by a collapse in oil prices. One view is that loans of the oil exporters, especially Mexico, should be written down since Mexico simply cannot pay. The other argues that this approach would be disastrous because it would seriously reduce the liquidity of the American banking system and lead to a deluge of requests for write-downs by all debtor countries, thereby multiplying potential liquidity losses in the American and the world financial systems.

What is needed is an approach to the debt crisis that recognises the seriousness and reality of the problem while still minimising the potential threat to world liquidity. It is also important to begin by helping Mexico, the weakest link in the debt chain, in a way that gives it an incentive to continue to perform on its loans and does not invite other debtors to ask for easier terms.

One must first realise how serious the situation facing Mexico is. In 1985 about $14bn of Mexico's $25bn in exports were in the form of oil. An oil price below $12 a barrel would cut at least $7bn from Mexico's export total, according to estimates by the American Express Bank. In view of the aggressive drive by the Saudis to sell larger quantities of oil at lower prices, it is prudent to plan on a loss in Mexican export revenues of at least $8bn. It would be easy to adjust for a better outcome due to higher prices or larger sales.

Estimates made when oil was at $18 a barrel placed Mexico's oil exports at $10bn and its 1986 new money needs at $6.5bn. At $11 to $12 a barrel, Mexico's oil export revenue will drop to about $6.5bn in 1986. New money needs would be about $10bn. In the absence of a sharp increase in lending from international agencies, the Commodity Credit Corporation and other sources, private banks would be asked to add $6bn to their investment in Mexico during 1986.

The private banks can commit new money to Mexico and still fulfil their responsibility to shareholders only if the new money can realistically be expected to improve the quality of existing credits to Mexico. Another way to consider this criterion would be to determine the willingness of bankers to bid more than the 60 to 70 cents on the dollar that loans to Mexico now command on the open market if, instead of owing about $100bn at the end of 1985, Mexico owed $110bn at the end of 1986.

The surge in loans to Mexico during the late 1970s arose as a result of the prospect of oil at $40 a barrel. With oil below $12 a barrel, it must be recognised that part of the value of these loans has been lost. New money is not the answer. A conditional write-down of the loans is essential. The value of existing credits to Mexico would be enhanced by the knowledge that Mexico will take on no new loans; rather it will be allowed temporarily to service existing loans at a lower rate in exchange for structural reforms.

Although a great deal of negotiation would be required, the current situation in the oil and other commodity markets suggests that Mexican debt is worth about two-thirds of its book value. Full absorption of such a loss would require that the world's commercial banks which as of 1985 had about $72bn invested in Mexico, absorb $24bn in losses. The share of the losses for US banks would be about $8.6bn.

How bad would such losses be for a typical money centre bank? Consider such a bank whose total assets are $100bn, shareholders' equity is $4bn, and annual earnings amount to $600m. Suppose that such a bank has about $6bn in Latin American loans and about $2bn in loans to Mexico. The Latin loans yield earnings of about $600m a year, while the loans to Mexico yield about $200m. A write-down of the Mexican loans by a third would lower earnings by about $66m. That is 11 per cent of earnings.

Provision would also have to be made to deal with the $660m loss in asset value that would result from a one-third write-down of the bank's $2bn in loans to Mexico. If that amount were written down on a contingent basis over a period of 10 years, at a rate of $66m a year, the effect on liquidity of the American banking system would be small and could be offset by allowing new banks into the system. The nation at large would help cushion the loss to the banks by not requiring an immediate write-off, thereby providing an interest-free loan to the banking system.

Mexico, or any other country allowed to write down its debts, would not simply be relieved of responsibility for them. Nor would bank losses necessarily be permanent. The written-down portion of the bank loans, about $24bn in the above example for Mexico, would be reissued as long-term liabilities of Mexico to the treasuries of the major industrial countries, weighted by the shares of those countries' investments in Mexico. If the new instruments were counted in bank capital, there would be no negative effect on liquidity of the US financial system. Interest on the loans would be capitalised for five years at a rate implied by the market rate on loans to Mexico. That is, a 9 per cent coupon trading at 75 cents on the dollar would imply a rate of about 12 per cent.

If Mexico performed well under a World Bank programme of policy-based lending and earned an 8 per cent rating, after five years the $24bn would become a debt of $35.3bn, which it would then start servicing at market rates. If Mexico performed poorly and its loans earned a 12 per cent rating, after five years the $24bn would become a debt of $42.3bn. Good performance would reduce Mexico's 1991 debt burden by $7bn.

Such a conditional capitalisation plan would allow the banks a chance to recapture their losses while providing Mexico with an incentive to make recapture possible, if, after five years' servicing of the $24bn write-down portion of Mexico's loans begins, the banks can start to write-up Mexican loans either fully or partially, depending on the state of Mexico's economy. Full success, at 8 per cent accumulated interest, would mean that a "typical" bank could write-up its Mexican loans by $1.47 for every dollar held.

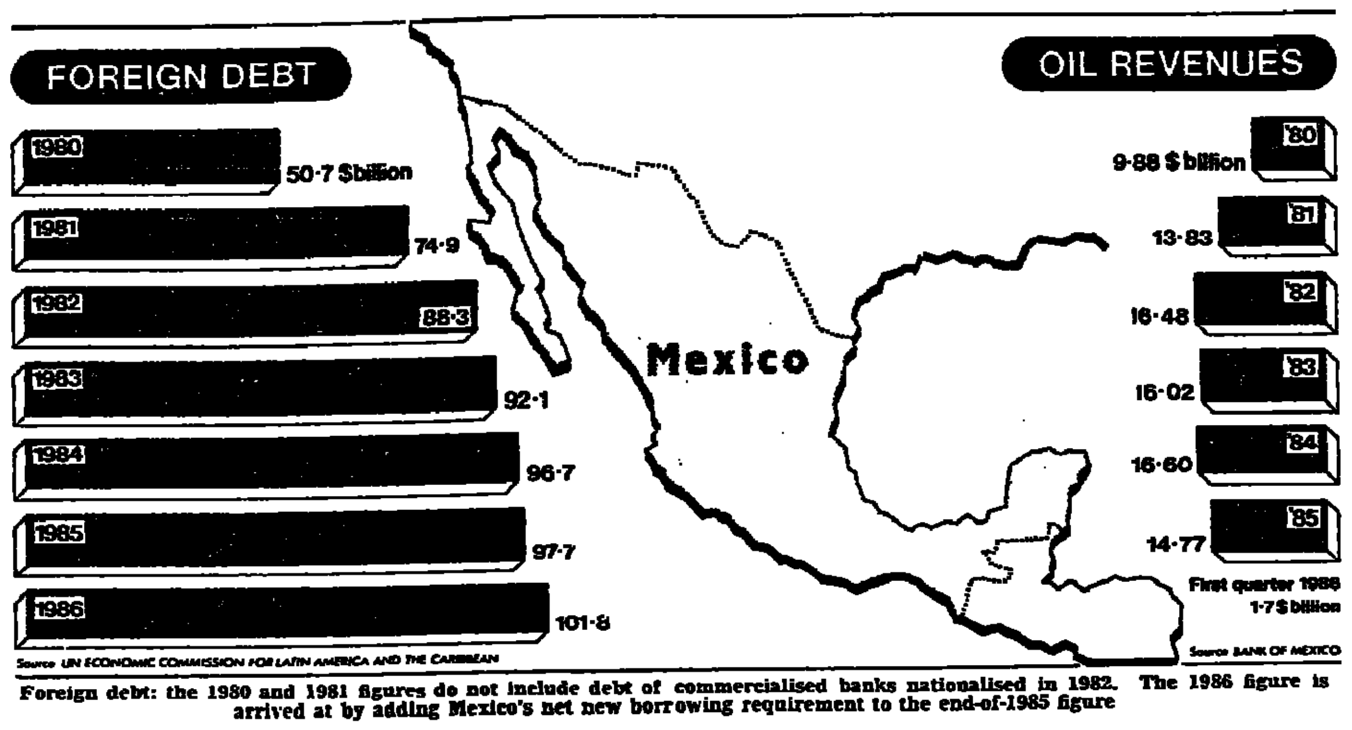
If Mexico failed to achieve satisfactory economic performance in five years, the banks would continue writing down their Mexican loans by $66m a year for another five years.

Some provision would have to be made to maintain liquidity by allowing capitalisation of new banks or expanded capitalisation of existing banks. Absorbing the losses would be painful, but it is better to anticipate the possibility and provide for it rather than hope that it will not happen.

The aim of conditional capitalisation would be to stabilise the value of existing loans to Mexico at a realistic level below par and to enhance the value of existing loans to other Latin American countries, such as Argentina and Brazil. These countries have in place reform programmes of the type envisioned by the Baker Plan and whose success will be made more likely by lower oil prices.

The Baker Plan—or more broadly, policy-based lending—has great promise, but it requires time. This is no shortcoming as no plan, save one that put oil at $35 a barrel, could provide immediate help for Mexico. That alternative would impose a far greater cost on the world economy than the cost of containing the Mexican debt crisis. If the damage to oil-exporting Latin America wrought by a 60 per cent fall in oil prices can be contained, the Baker Plan concept of policy-based lending has a very good chance of succeeding. It would be a shame to see it break up in Mexico on the rocky shoals of $12-a-barrel oil.

The author is Director of Fiscal Studies, American Enterprise Institute, Washington.



Foreign debt: the 1980 and 1981 figures do not include debt of commercialised banks nationalised in 1982. The 1986 figure is arrived at by adding Mexico's net new borrowing requirement to the end-of-1985 figure

President Miguel De la Madrid of Mexico

A programme that can work

By William R. Cline

THE DECLINE in oil prices has helped Brazil and other oil importing debtor countries, but it has so aggravated the difficulties of oil exporting countries — especially Mexico — that the debt problem has reached a crucial turning point. There is a growing risk that Mexico may be forced to suspend payments on its debt within a few months, causing a jolt to large US banks, some of which have more than half of their capital outstanding in loans to Mexico.

The risk of Mexican suspension arises from four dangers. First, the IMF may insist on an excessively tight fiscal policy, which Mexican officials might reject. With no IMF programme, banks will not lend. Second, even with IMF approval the banks may be unwilling to lend sufficient amounts. Third, Mexican public opinion may press for a solution that involves a "sacrifice" by the banks, even though in the longer run the resulting loss of creditworthiness could hurt Mexico itself. Fourth, the Government may be unwilling to take even those budget cuts that are indeed essential, let alone larger cuts.

With a loss of $6bn to $7bn in annual oil exports, the Mexican Government hopes to cover the shortfall through a reduction in imports by $2bn, $1bn savings from lower market interest rates, $1bn from not increasing reserves, $1bn from higher non-oil exports, and $1bn from rescheduling of official debt in the Pans Club. But the price is high: domestic output is expected to decline by 2 per cent or more this year.

The banks may not co-operate because they seem to view Mexico as a bottomless pit of capital flight where new funds will simply leak out again. Yet the image of capital flight is no longer deserved. Mexican officials reject the estimate of one leading US bank that capital flight has been $16bn since 1983. Such estimates are derived from misleading current account and debt statistics. The Mexican government estimates capital flight in the period at only $3bn to $6bn.

Nowadays, the Government is not handing over foreign exchange from its reserves to citizens who want to convert pesos to dollars for placement abroad. On the contrary, in recent months Mexico has had such a tight monetary policy and such high real interest rates (in the range of 20-30 per cent) that companies have been forced to bring money back into the country, and the Government is buying dollars for its reserves rather than selling them.

Mexico's image of fiscal irresponsibility is exaggerated. The country's nominal fiscal deficit in 1985 was 10 per cent of GNP, but after removing the inflationary component of interest on its public debt its *real* fiscal deficit was only 1 per cent of GNP—less than in the US (about 4 per cent of GNP). To reduce Mexico's 70 per cent inflation rate, the Government and the IMF had agreed on a nominal deficit of 5 per cent of GDP for 1986—equivalent to a real fiscal surplus of 5 per cent. Now the collapse of oil prices has cost Mexico 4 per cent of GDP in lost revenue, boosting its nominal deficit to 9 or 10 per cent of GDP.

While the Government should further cut state enterprise losses and subsidies, it would now be unduly recessionary to aim for a real fiscal surplus of 5 per cent of GDP as originally planned. Instead, Mexico would do well to adopt a wage-price freeze and monetary reform (like Argentina's Austral Plan and Brazil's Cruzado Plan) to halt inflation. With a zero real fiscal deficit, the fundamentals are in place for such a programme to work.

Mexico should continue its recent policy of devaluing the peso in real terms, to give an incentive to non-oil exports and to import substitution. A clear commitment to trade liberalisation is also necessary.

The IMF should use its Compensatory Finance Facility to provide support in view of lower oil prices. The World Bank should expand its support through large amounts of fast-disbursing loans.

The banks should go ahead with the $2.5bn new money package they had anticipated in late 1985. In addition, they should lend perhaps $1½bn more in 1986 (and smaller amounts in 1987-88) in the form of 5- to 7-year notes that become redeemable immediately if the price of oil has recovered above, say, $20 a barrel for a specified period.

OECD governments should help by buying Mexican oil for strategic petroleum reserves, with the US stockpiling oil for the accounts of nations lacking storage facilities.

Virtually all of these measures are politically feasible, with the possible exception of a wage-price freeze in Mexico.

The author is Senior Fellow, the Institute for International Economics, Washington.

COMPUTER INDUSTRY

Honeywell's factory crusade

By Paul Taylor in New York

MENTION MAINFRAME computers to William N. Wray, executive vice-president in charge of Honeywell Information Systems (HIS), and a faint frown flickers across his usually friendly face.

Perhaps it is because, after just over a year in one of Honeywell's hot seats, Mr Wray is growing tired of denying that his company is quitting the mainframe business. Honeywell now markets computers made by NEC of Japan, France's Bull Group and other outside suppliers, as well as its own equipment.

The frown may also be because, as senior executive in charge of Honeywell's computer business — long considered the group's Achilles' heel — he and other executives are frustrated by the apparent difficulty of getting Honeywell's message across.

That message, according to senior managers, is first that Honeywell's computer business is alive and kicking. Last year it generated 29 per cent of the group's $6.6bn in revenues and 34 per cent of its $579m in operating profits. Moreover, the message adds, HIS has a crucial role to play in Honeywell's crusade to build on its traditional expertise in controls, computers and communications, the three "c"s, to help automate the factory floor and the office.

The 100-year-old Minneapolis-based group wants to be a systems integrator — not just a supplier of increasingly "commodity-like" hardware boxes.

Confusion, however, is understandable. Honeywell has gone further than any of its rival US mainframe computer makers in stepping back from the costly development race with International Business Machines (IBM), the market leader.

Its top-end mainframe machine, the DPS-90, introduced last year in answer to IBM's 3090 "Sierra," is built around an NEC central processor and Bull, in which Honeywell retains a small equity stake, supplies the mid-range DPS-7 mainframe.

Honeywell also turned to outside component manufacturers when it launched its IBM-compatible Honeywell-XP and PC-AP personal computers last year and it has chosen to buy in products from its selected "strategic partners" in order to marshal its own limited research and development resources and concentrate them on the business areas it sees as most promising. These include tying together sensors, controls and computer systems — through hardware, software and communications — on the automated factory floor and in the office environment.

Apart from allowing Honeywell to minimise development costs, the group's selective external sourcing policy has helped it satisfy a 10,000-strong installed mainframe customer base — one third of whom are manufacturers and customers for its other products — with the upwardly-compatible products they demand, without the cost of expensive software conversion.

"The mainframe is the workhorse of production, and industry and government will always need them," says Mr Wray, who notes that mainframe sales still "pay a lot of the bills."

But he also emphasises that "if you look just at mainframes, you are looking at the half of the market that is growing slower than the rest." So Honeywell, like most of the other "Bunch companies," is filling out its product line with new personal computers and — shortly — a replacement for its ageing DPS-6 departmental superminicomputer line.

"Our strategy is to hold on to our customer base, treat them well and do what is necessary to support them. That is quite a different level of competition," says Mr Wray.

That is certainly a change from just a few years ago. Honeywell entered the computer business in the mid-1950s. In the two decades that followed it attempted to challenge IBM by expanding its mainframe market presence through two major acquisitions. In 1970 Honeywell bought General Electric's computer operations and then assumed responsibility for Xerox's customer base six years later.

The acquisitions gave Honeywell a moderately large but short-lived presence in the industry. Helped by a move into minicomputers and the 1978 acquisition of Incoterm, an on-line terminal manufacturer, computer profits and profitability climbed steadily, reaching a peak in 1980. Together with an expanding aerospace and defence business it looked for a time as though Honeywell had succeeded in growing another leg to its control products and control systems businesses.

But from 1981 the computer business hit the skids. Profit margins sagged, new machines were delayed or cancelled, and the company lost market share. "Honeywell did not sell, it accepted orders," says Mr Stephen McClellan in his book The Coming Computer Industry Shake-out. Customers defected to IBM and other rivals while Honeywell's management struggled to master the problems of supporting three different computer model lines.

In the late 1970s and early 1980s HIS vice-presidents came and went with regularity, and the division had three presidents in as many years. In 1982 Honeywell's chairman, Mr Edson Spencer, called a halt by asking Dr James Renier, a 30-year company veteran and Honeywell's vice-chairman, to sort out the computer operations.

Dr Renier got to work quickly, cutting costs, slashing employment and closing plants. The marketing operations were reorganised to moved away from open competition with IBM and organised to find more specialist niche markets. Meanwhile, Honeywell began to look outside both for products it could buy more cheaply than it could develop and manufacture, and began building its partnership with NEC and others, including a telecommunications joint venture with Sweden's L. M. Ericsson.

The effort generally worked. His operating profits bounced back from a low of $80m to $131m the following year and Dr Renier was widely credited with engineering the turnaround.

The legacy of Honeywell's mixed fortunes in the computer business — and in the commodity memory chip business which Honeywell abandoned when it folded its Synertek subsidiary late in 1984 — is a return to its roots. Honeywell has built its business supplying industrial "nervous systems" — the technological eyes, ears, noses and brains that have enabled industry to automate the manufacturing process.

It is now the market leader in both heat and air conditioning controls for buildings and process controls for industry. The group passed up the chance to become a clear leader in robotics and machine tools — the muscle end of automation — when it decided the asking price for Allen Bradley, which was eventually sold to Rockwell International for $1.65bn or 3.8 times book value, was too high.

But most Wall Street analysts agree that Honeywell, which sold $1bn of automated manufacturing systems last year, is in a strong position to provide the integrated information and control systems for industrial automation — a market which is worth about $100bn and is growing at 15 per cent a year.

Honeywell still faces many challenges, not least because the systems integration market is tough and highly competitive.

Honeywell believes it has the edge over the competition. First it believes that, unlike some of its rivals, it has "all the pieces together." As Dr Renier told New York analysts last autumn: "Honeywell's in-house capabilities in computers, communications and controls make us unique in US industry," he said.

Second, Honeywell is aiming to treat automation like a service business, hoping to rig up its own systems but willing to include equipment made by others.

Third, its strategy is targeted on factory and office automation but wide enough to include other markets like so-called "smart buildings" — wired computerised offices which bring together telecommunications, office systems and other services like energy management and security systems.

It may, however, be some time before it is clear whether Honeywell's strategy can meet management's lofty target of a 16 to 18 per cent return on equity. Honeywell's profits are traditionally volatile and the slowdown in the computer sector, uncertainties over capital and defence spending and lower energy prices could all take a toll in the short term. Last year it achieved an 11 per cent return on equity and only once in the last decade has it hit its target when it managed 17 per cent in 1979.

In Minneapolis, Mr Wray, like other senior Honeywell executives, may frown occasionally—but he remains confident. In the computer business, he says, Honeywell is determined to deliver "solutions systems," not just hardware and software. At the same time he says the group will attract customers in new markets like health care management.

Finally, by pulling together the strengths of Honeywell's different divisions, including computers, he says the company will find opportunities for growth.

Previous articles in this series appeared on May 7, May 2, April 29, April 23 and April 22.

IN THE SHADOW OF IBM

THE KEY FIGURES

$m

	1st qtr 1986	1st qtr 1985	1985	1984	1983	1982	1981
Revenues	1,500	1,480	6,620	6,070	5,670	5,390	5,260
Net profits	24.2	46.2	281.6	239.0	231.2	272.9	259.3

TECHNOLOGY

UK supermarkets finally wake up to checkout revolution

David Churchill on the benefits to be gained by management and customers

THE REVOLUTION at Britain's supermarket checkouts finally looks like happening, several years after sophisticated laser-scanning checkouts became widespread in the US and in some parts of Europe. Supermarket chains in the UK are now stepping up their investment in replacing already sophisticated electronic checkouts with new laser-scanning ones which increase store productivity, provide detailed management information, and—in theory—give a better deal to the consumer.

J. Sainsbury is leading the way among the major supermarket chains with a rapid programme of scanning stores—it opened its 34th supermarket with scanners yesterday in Chiswick, West London—while Asda has 15 in operation and another 11 planned for this year. Tesco, which had been in the forefront of scanning before it sold its Victor Value discount stores, now has only nine supermarket scanning stores but is looking hard to further expansion.

These three supermarket chains dominate the UK grocery market—accounting for a combined turnover of almost £8bn and some 40 per cent of the market. Their commitment to scanning now makes it almost certain that the bulk of supermarkets will have scanning checkouts by the end of this decade.

A recent survey supports this view. According to POST News, which researches developments in point of sale terminals, hypermarket chains overall expect to fit a third of their checkouts with laser-scanners by 1987 and three-quarters of them by 1990.

Yet with only some 350 grocery scanning stores of all types now operating in the UK—including 140 operated by Fine Fare in its Shoppers Paradise limited-range discount stores—the gap between Britain and the US and elsewhere is still substantial. The US has some 13,000 supermarkets fitted with laser-scanners, over 5,000 are in use in Japan, and there are nearly 800 in France.

Back in 1980, British supermarket executives were considerably more optimistic about the speed with which scanning was likely to come into stores. By 1985, it was confidently asserted, virtually all consumers would be used to shopping in supermarkets where prices were not marked on individual products and where itemised till receipts were produced by in-store computers.

But although the first UK supermarket to make use of this technology installed it back in 1978, few other supermarkets pressed ahead with anything other than experiments in one or two stores.

Why the delay? The key reason was not a lack of intiative by supermarket executives but, rather, a judicious caution as to whether the extensive costs of re-equipping with scanning checkouts outweighed the potential benefits.

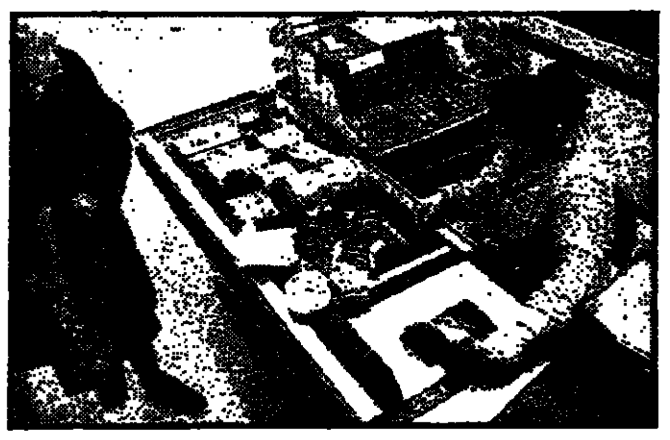
"British supermarkets had less to gain initially from scanning because US supermarkets were so labour inefficient at the checkout," points out Mr David Malpas, managing director (trading), of Tesco.

Moreover, many of the stock control and replenishment systems already in place in UK supermarkets were more sophisticated and effective than in the US. "The better our existing management control systems, the less immediate benefits from scanning," points out Mr Jeremy Grindle, the Sainsbury director in charge of introducing scanning into his company's stores.

Equipment prices, in addition, were too high in the early 1980s at about £10,000 per checkout, although prices have roughly halved since then.

In the jargon of the supermarket trade, the "hard benefits" from scanning—quantifiable financial savings—also did not look sufficiently likely to materialise at that time for the major supermarket chains to invest heavily in scanning.

But hard benefits in the form of more efficient checkout operations and fewer pricing errors at the checkout were, however, attractive to some supermarkets in the early 1980s. Fine Fare's Shoppers Paradise — which offers only basic groceries in a no-frills environment—brought in scanning quite early on.



Laser-scanning gives speed and accuracy

LASER SCANNING has been adopted because it is the technique most likely to speed up and improve the accuracy of point of sale transactions. It is essentially very simple. The beam from a low power laser situated in the point-of-sale equipment is directed at the bar code printed on the packaging of the item being purchased. The bar code is simply a series of bars of varying thickness which contain price and other information about the product.

Light reflected from the bar code is converted electronically into a code which can be understood by the in-store computer and used to supply the price of the item to the cashier while updating store records and providing a base for management reports.

"Shoppers Paradise is an operation where it was much easier to anticipate quantified hard savings," says Bob Gavahgan, Fine Fare's marketing director.

The main benefit for Shoppers Paradise was that it enabled it to increase its range of grocery items from 500 to 1,200. Previously, checkout operators had to memorise all 500 prices since these were not marked on the groceries. Scanners, therefore, reduced operator errors significantly.

But Fine Fare and the other UK supermarket chains are reticent about revealing the actual level of hard savings to be gained from scanning. However, a study by the McKinsey management consultants of the cost savings available to a medium-sized supermarket in the UK suggested hard benefits of 0.82 per cent of turnover, reduced to a net saving of 0.27 per cent of sales after taking into account costs such as maintaining the equipment.

NCR has calculated from its US scanning experience that a supermarket with a turnover of $150,000 a week could save almost $50,000 a year from the elimination of till errors at the checkout.

But for the majors such as Tesco, Sainsbury, and Asda—and for Fine Fare itself—it was the so-called "soft benefits" that seemed more attractive.

Soft benefits are the improvement in management information and stock control that provide no immediate cost-saving but, in fact, are where the greatest potential savings are to be found. "They are 200 per cent more important than hard benefits," insists John Styles, Asda's computer services director.

All three majors eventually realised — for different reasons — that successful scanning required more thought and planning than they had originally believed. 'Retailers have had to spend a long time on trials to determine how to get full value from the system," says Mr Grindle of Sainsbury.

Sainsbury decided to enhance its store control systems by introducing ICL System 25 mini-computers into its larger stores.

The company started its experiments with scanning in 1980 with IBM equipment, followed in 1982 with a store using Sweda machines. ICL was a late entrant with its first test store in 1984.

"We plumped for ICL scanners because our trials found their equipment to be more 'user-friendly' for our purposes," says Mr Grindle.

Sainsbury is now putting scanners in all new stores and is gradually replacing less sophisticated systems in existing stores. By next spring it plans to have about a 100 of its 265 stores with scanners, with a further 100 over the following year. As equipment prices fall, it plans to put scanning systems into even its smallest stores.

While Sainsbury has been forging ahead with scanning, Tesco's policy has varied considerably over the past five years. In the early 1980s, it was keen to bring in scanning as quickly as possible. But its move towards greater centralisation of its operations and a reduction in stock ranges took priority. It improved its central re-ordering systems and data capture for stock control.

"We achieved some of the soft benefits of scanning without having to install scanners," says David Malpas, "but we are constantly looking at the business case for scanning."

Asda seems more confident of the benefits of scanning and has introduced scanners steadily into its stores since 1984, again using IBM equipment. "However, we are making sure that we don't bring in scanners in advance of our capability to make full use of them," points out John Styles.

But it is not only retailers who will directly benefit from further introduction of scanning systems. The electronic capture of sales data by scanners is being used by food and drink manufacturers to analyse consumer shopping patterns and the performance of individual brands.

"We can monitor the shopping habits of some 300,000 regular customers, allowing manufacturers to make faster, sharper responses, based on real sales data provided at a low cost," explains Mike Gorton, managing director of A. C. Nielsen which co-ordinates the analysis of scanning sales data.

For example, wines and spirits sales were monitored by Allied-Lyons in the crucial weeks before Christmas when the closest possible sales measurement analysis was needed to ensure adequate stocks. Port sales were found to be some 16 times higher in the week before Christmas than the level during October.

"Most of our advertising is on television and to move towards a situation where we can at least relate this to weekly purchases is good news indeed," comments Jeff Palmer, marketing director for Allied Lyons' wines and spirits division.

But will it be good news for the consumer? Scanning is supposed to lead to faster processing at the check-out, with resulting fewer queues. In the US, experience has shown that faster checkout operation leads to fewer checkouts—so the queues can be just as long.

Sainsbury's Jeremy Grindle, however, believes that the consumer can only benefit in the long term. "Anything that improves our productivity will eventually benefit the consumer in terms of improved standards of service and stable prices," he states.

GEC card-operated parking meters go on trial in Birmingham

PARKING METERS operated by a magnetic stripe plastic card are on trial in a development by GEC Traffic Automation for Birmingham City traffic department.

Installed in roads surrounding Birmingham Cathedral, the 95 battery powered meters will use cards that can be bought in local shops, post offices and other retail outlets for 60p, £2 and £5. Units of 10p (for 20 mins parking) are magnetically deducted from the card each time it is inserted in the meter.

Advantages are that the meters do not need regular winding up, do not need cash collection and can be reprogrammed for different charges if parking conditions change. The only maintenance needed is battery charging at intervals greater than three months.

GEC believes local authorities around the country will watch this six months trial closely in view of the savings offered to ratepayers.

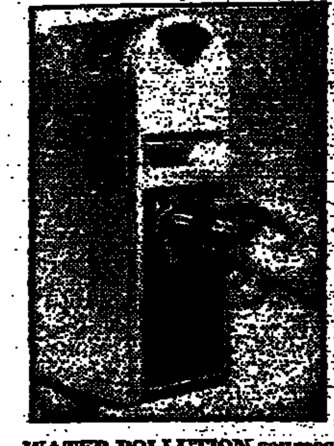
CELLULAR RADIO test systems have been introduced by Marconi Instruments of St Albans, Hertfordshire, UK.

The growth of cellular radio (there are over 60,000 subscribers after only 18 months of service in the UK alone) has increased the demand for efficient testing to keep users' sets "on the road."

The Marconi testers can deal with the UK, US and Nordic standards. Computer-stored test programs mean that the basic functional testing of a mobile set can be carried out in less than a minute. More on 0727 59292.

MECHANICAL TESTING is linked to the computer-aided design and engineering (CAD/CAE) of mechanical products in the ME Series 90 test system from Hewlett Packard.

The CAD/CAE software running on the company's HP 9000 computer is linked to the ME 90 system so that the results of actual measurements on the prototype structure can be fed into the design process to optimise the final product. More on 0734 696622 in the UK.



WATER POLLUTION sources can be tracked down using a new tracer offered by International Biochemicals Group of London (01-740 4422).

Called Biotrace, the product consists of microbial spores (bacillus globigii) which have an extremely high resistance to environmental conditions but are safe, non-pathogenic organisms. Previously, radio isotopes have been employed.

Biotrace is used to prove suspected sources of pollution by adding it to outflows and checking for its presence elsewhere using a simple chemical/visual process.

WORTH WATCHING

Edited by Geoff Charlish

PAGE READERS that automatically transfer typed text at the rate of about two pages a minute into IBM personal computers and compatible machines have been introduced into the UK by Lexisystems of Frome, Somerset (0373 61446). Using additional software called Text Pac, users can enter text straight into popular word processing programs.

The machine comes from Dest of Milpitas, California, which claims it is 30 times faster than the average typist. Called PC Scan, the unit reads at 300 dots per inch to give accurate "template matching" with stored, electronic versions of each character, thus identifying them at high speed.

Energy from the skies over Milton Keynes

SUN AND wind energy will be used to provide domestic electricity to nine houses in an experiment at the new Milton Keynes "Energy Park."

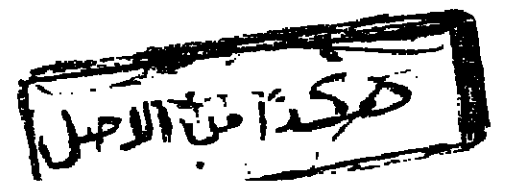
Each house will have a bank of solar arrays on the roof and the group of houses will be served by a wind generator with 30 ft blades mounted on a 60 ft tower.

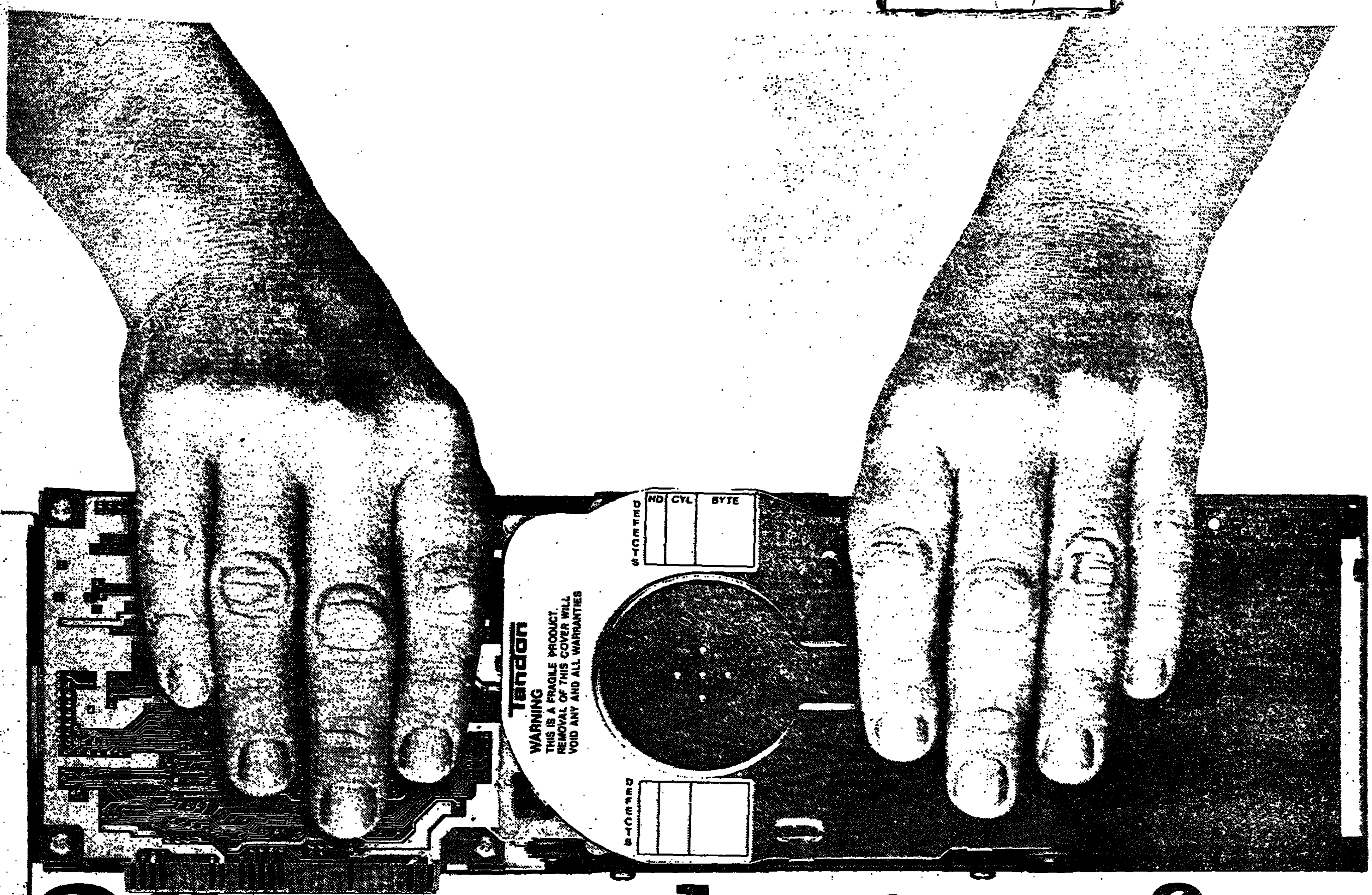
The combined 36kW output of arrays and wind generator is fed to a battery bank in a control room where the direct current is turned into alternating current at 50Hz 240 volts for supplying the houses. If a combination of low wind and no sun over a period reduces the battery's ability to supply demand from the houses, they are automatically switched over to the normal mains supply.

Solapak of High Wycombe, UK (0494 452941), the solar electricity company, is running the project and International Research and Development is providing the wind generator. System performance will be monitored by the Open University.

EXPLOSIVES DETECTORS that are claimed to be better at detection than competitive equipment, without needing skilled operators to use them, have been developed by A1 Security, Cambridge, UK (0223 834420).

Based on 4000 of the company's detectors that are already in use, the new model 97 uses a gas chromatography system that will detect one part in 100bn. It will readily distinguish between vapours given off by explosives and those from non-explosive material of similar chemical composition. The instrument is contained in a single suitcase and can be prepared for operation in under eight minutes. It weighs only 1.7 kg (3.75lb).

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REMOVAL OF THIS COVER WILL
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THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Corporate Renewal

A painful process of change

In a second article on the UK computer company, **Christopher Lorenz** reports on the strains of re-shaping its strategy

IN DECEMBER 1982 ICL made a successful and much-needed rights issue of over £100m. The financial crisis which two years before had pushed it to the very edge of bankruptcy, and a knock-down sale to an American competitor, was finally over. But the company was facing a far more complex crisis — of strategy, organisation, and leadership style.

Dr Robb Wilmot, who had been brought in from Texas Instruments 19 months before at the age of 36 in a last-ditch attempt to rescue ICL, had administered a particularly strong dose of the company doctor's classic formula: swingeing cuts in employment at all levels (down by a third, to 22,000); a slashing of inventory; the injection of new management blood; and the imposition of tough new budgetary and management controls.

But Wilmot possessed a vision as well as a scalpel. With an eye on more than just the immediate future, he had accompanied the scrapping of several product development programmes with the initiation of new ones, and an increase in the development budget.

He had also formulated the framework of a new corporate strategy which, for the first time, really took account of the globally competitive nature of the computer industry, and of ICL's very limited position within it — including its tiny market share of one per cent.

The company would no longer try to develop everything itself, and span virtually the entire market, but would build some of its products using technology shared with (or bought from) key collaborators—one of the main early deals was with Japan's Fujitsu, on mainframe computer technology. Other products would be purchased from independent suppliers. ICL's own research and development would move "downstream" to develop systems in carefully selected "vertical" markets within particular industries. Where possible these would be global, but ICL would also exploit market variations from country to country.

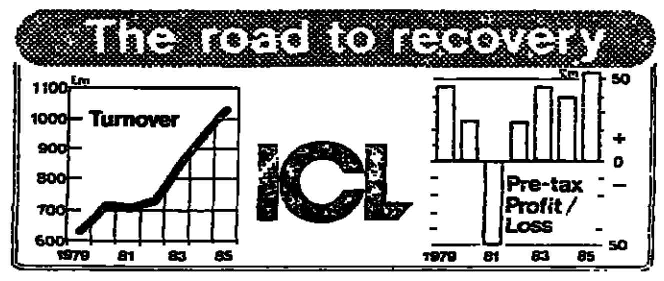
For a company the size of ICL—with sales of £1bn, it is a mere one-fiftieth of IBM—Wilmot's "networked product line" strategy was probably the only feasible one. But for it to work, the company's whole culture and way of operating would have to be radically changed.

It had to abandon its traditional driving force, of simply developing "boxes" using the latest technology and then selling them to all comers. Instead it had to develop solutions to the requirements of particular customer categories. This meant deciding who it wanted its customers to be, and getting much closer to them. It meant understanding its competitors much better. It meant harnessing its internal managerial and organisational resources far more effectively. And it meant working with other companies to promote the cause of "open system interconnection" — the development of international standards to allow competing products to operate with each other.

For a company with such a technology-dominated culture, with a barely skin-deep understanding of marketing, and with a traditionally functional and poorly-co-ordinated organisational structure, it was an enormously tall order for ICL to try to implement Wilmot's strategy.

By the time of the £100m rights issue, Wilmot was already deeply frustrated at the slow pace of change. Characteristically, he was "leaping along at 100 miles an hour," as he puts it. "But the rest of the organisation was clanking along at 50. The networked product line was still on paper, not a reality." Though Wilmot's managers — an extremely bright bunch — had accepted the strategy, "and were running around reciting it," the true level of acceptance was patchy. The degree of execution was even more limited.

As Wilmot now admits, the problem was exacerbated by his lack of feel for organisation issues. Things were not helped by the fact that his closest colleague, Peter Bonfield (also ex-TI), was having to spend most of his time running ICL's day-to-day operations.



Though Wilmot came into ICL with a crystal-clear ability to grapple with strategic issues, most of his previous experience had been in production and product development. "Organisation was not my bag," he says.

Ninian Eadie, a long-standing senior ICL executive who acted as one of Wilmot's closest aides between 1981 and 1984, reinforces the point. He recalls receiving about a dozen Wilmot memos a day ("Robbograms," as they became known within ICL). "Robb generates more ideas per minute than most other people do in a year," he says (he once got 27 memos in a single day). "He's a great leader—he's constantly breaking new ground. He could see what he wanted to achieve. But he couldn't pull the levers."

Eadie remembers the strains of 1982 and 1983 especially clearly. Like Wilmot and Bonfield, he was working under intense pressure, with no weekends and no holiday for more than two years. His job was not only to help interpret Wilmot's strategic vision, but to oversee the beginnings of a matrix management structure which had been initiated in order to inject a degree of delegated decision-making into what until then had essentially been a dictatorship.

Many other companies have found it extremely hard to operate matrix management, in which two parts of the organisation (for instance product and country managers) share responsibility for business development and financial performance. But Wilmot, Bonfield and Eadie saw it as the only way to get ICL closer to the market, and operating more entrepreneurially, while at the same time improving its management of the many technological and other interdependencies between its various constituent parts.

A straightforward structure of decentralised and largely unco-ordinated business units, as operated by many American companies, would have been inadequate. As Eadie points out, "much of ICL's competitive advantage stems from its ability to sell integrated solutions."

The idea was to divide Eadie's 200-person head office staff unit, the "product marketing division," into separate cells with "business managers" who would be responsible for co-ordinating the various parts of ICL's functional structure: Bonfield's sales organisation, the two development units, and the factories.

It did not work well. Instead of creating the hoped-for cohesion, Wilmot says it produced mainly "tension, conflict and lack of decision-making." It also helped create a phase of what he calls "delegating upwards." Instead of taking decisions themselves, "anyone in the matrix tended to appeal to me or take my name in vain ('Robb says'). It made me furious."

Wilmot, whose memos became known as "Robbograms" within ICL, generates "more ideas per minute than most people do in a year"

"The problem was partly that the rest of the organisation didn't understand the matrix, or how to operate within it," says Peter Bonfield. "The ICL culture was such that you weren't a man unless you'd come up the line organisation." At Texas Instruments, where both he and Wilmot had cut their management teeth, it was the reverse—there the product/marketing people wielded the most power.

"Basically it was a problem of our not understanding the animal we were training," admits Bonfield. "Our words and the nodding heads didn't mean the same thing." A further difficulty, he says, was that "Robb and I were used to working in an organisation where the management had all grown up together and spoke a common language." At ICL it was a very different matter; the company was the product of a series of mergers in the 1960s and 1970s.

"ICL's culture, based on functional departments, was clearly misaligned with what I was trying to do," says Wilmot. "I got immensely frustrated. I knew exactly what to do strategically, but I hadn't got an organisation to understand or do it."

The strains and stresses of this period stimulated Wilmot and Bonfield into taking a whole range of education and communication initiatives, including a marketing training programme for managers right across and down the company, a strategy briefing process called "managing in ICL"

> ❛ He could see what he wanted to achieve. But he couldn't pull the levers ❜

(abbreviated by some wag to Maniel), and, at the beginning of 1983, an American-style "expectations document" for all ICL personnel called "The ICL Way." Its message was reinforced by the launching of a company-wide series of "Way Ahead" meetings, and later by an "Excellence" award scheme. All these programmes are still running, and have been expanded.

But for Wilmot's immediate team, whose reaction to "The ICL Way" was generally cynical, the most significant move at the time was his decision to call in an industrial psychologist to analyse their attitudes.

His report not only underlined the extent of misunderstanding about how a matrix organisation works, but pointed to growing resentment among senior managers that too many decisions were still being taken by Wilmot, Bonfield and the finance director. "It reinforced the point that the chief executive couldn't continue to be involved in every product decision," says Bonfield. "The use of raw power was no longer acceptable."

Wilmot then made a conscious — and risky — decision to step right back from involvement in many areas of decision-making. In effect, he decided to create a vacuum which would force the pace towards decentralised decision processes, and produce an organisation which could operate largely without him. "All of a sudden I started refusing to make certain judgements and decisions—I said the others had to make them."

In this he says he was heavily influenced by the salutary example of several well-known US electronics multinationals. "They had had very strong leaders who had unknowingly overpowered the organisation — until it almost fell apart. Clearly I had to step back and replace my previous role of overt overpowering, not with covert overpowering, but with an organisation that was inherently capable of running itself. Because ICL didn't have a strong organisation culture there was a unique opportunity to let the managers build one themselves.

"Stepping back from hands-on management was very difficult for me," Wilmot admits. Not only was it against all his instincts, but it left a vacuum which took almost a year to fill. "It was a pretty worrying period for the whole company and created quite a hiatus," he says. Several senior managers still resent the considerable uncertainty and strain it caused.

The vacuum only began to be filled, and organisational capability created, when two major initiatives combined to produce a rapid learning effect for managers throughout the company. Both took Wilmot and his colleagues three months to prepare in outline, and another six or more to take full effect.

The first, born of Wilmot's determination to make a full matrix structure work in spite of all the problems which had been experienced so far with the 1982 version, was the creation of the first of a set of decentralised, semi-autonomous "business centres." Staffed by an inter-disciplinary group of development and marketing specialists, the centres were given overall global responsibility for one of ICL's chosen "vertical" markets. Their managers were drawn from the central development and product marketing divisions, which were gradually dismantled.

The [illegible] covering ICL's [illegible] business, was [illegible] trial-and-error [illegible] the best [illegible] with the other [illegible] the company's [illegible] and sales companies [illegible] world. [illegible] much [illegible] months of life [illegible]. Only towards the end of that period, in late 1984, were most of ICL's other 18 business centres established.

The second move was the decision to call in the London Business School to assemble a team of international academics to help develop an ambitious education programme for ICL's top 200 executives. They were given the task of not only creating a shared strategic vision, but of giving managers the ability to drive the strategy forward at all levels of the organisation.

> ❛ I got frustrated. I hadn't got an organisation to understand or do it ? ❜

The course formed part of a four-tier programme for all ICL's 2,000 managers — an initiative which Ray Fields, the company's head of management development, had been advocating since 1981.

The shape of both initiatives — the "learning by doing" development of the business centres, and the design of the education programme itself — were heavily influenced by discussions throughout late 1983 with the academics.

The discussions, involving Wilmot himself and a small task force of ICL managers, also came to the view that it was no good going ahead with his plan to introduce a broadly-based, bottom-up strategic planning process — with quarterly reviews to check constantly the need for change — if this was not accompanied by a parallel organisation and management review process which would make strategic changes effective. Both were introduced in late 1983. It has taken much trial, and a lot of error, to get both sides of the system working effectively.

The first article in this series appeared on Monday; the final one will appear on Friday.

Television/Christopher Dunkley

Emptiness behind a glossy surface

One of my favourite cartoons, drawn by Bernard Hollowood, shows two men at a BBC microphone. One, smug and smiling, is listening to the other who, with a desperately anxious expression, is saying "Yes, yes, of course—I see now that I've been holding the wrong political views all these years." The reason this appeals so much, surely, is that we recognise how ludicrously far-fetched it is. Broadcasting, having never been free to preach and proselytise, rarely changes people's minds. Programmes tend to reinforce existing prejudices; the violent programme which confirms the delinquent adolescent in his view that violence is nice simultaneously convinces me that violence is nasty. Almost invariably we take from a programme a strengthened version of whatever we brought to it.

However, one programme last week did change my mind dramatically. I switched on *Video Jukebox* at 9.30 on Friday convinced that rock videos were a good thing. When I went to bed at 2.30 the following morning—some time before the end according to my daughter who held out until 3.00, when it was still going—I had decided that they might, in some ways, be rather a bad thing. Regular readers may remember several of these columns enthusing over rock videos because of their advanced electronic techniques. They seemed to me to represent the leading edge of programme-making technology, and I welcomed the results because they did not look like second-hand literature or warmed-up theatre but like television *sui generis*, which is something I have been seeking for years.

After John Archer's monumental programme on Friday I still believe that the rock—or, if you prefer it—pop video business is the most technically advanced area of television, but the programme opened my eyes and changed my mind in two respects. First, the programme's sheer length and the huge number of videos displayed suggested that most of the work being done is pretty poor. Second, interviews with a number of luminaries from the rock world introduced me to an idea that I had not considered before but which I had fully accepted by 2.30 am.

Of course I was not so naïve before the programme as to believe that all rock videos are imaginatively brilliant and technically revolutionary. However, I suspect that my experience had been concentrated upon the best that was available. In *Video Jukebox*, however, while the presenters John Peel and John Walters certainly showed some outstanding material — David Bowie's numbers, Queen's "Bohemian Rhapsody," and the work of Rocky Morton and Annabelle Jankel (creators of Max Headroom), for instance—they also showed dozens of example involving groups such as Madness, Duran Duran, and even The Beatles which, for all their gloss, were derivative, repetitive and, most noticeable of all as the hours went by, desperately empty.

It was the length of the programme which brought this out. If you watch just two or three very expensive and technically impressive videos on *Top of the Pops*, interspersed with talk and live performances, it is easy to be carried away by the virtuoso use of the technology. But watching dozens and dozens, one after another on *Video Jukebox* (especially if you happened to have watched Channel 4's all-video programme *The Chart Show* and *Solid Soul* earlier on the same evening) the vacuousness became unmistakable and, in the end, dreadfully dispiriting.

Last week's column drew attention to the influence of rock videos upon *Miami Vice*, the American police series in which style, colour, clothes and picture composition play a more important part than narrative. But at least *Miami Vice* is always built upon a story of some sort, however weak and unoriginal. The depressing thing about so much of the work shown on *Video Jukebox* was that it had no ambition, indeed no purpose, beyond filling the screen with visual dynamism. On the first few occasions — as with nouvelle cuisine—this vivid appearance can seem fascinating, but once you become familiar with the form you realise that nothing makes up for a lack of content.

Of course there were exceptions. David Bowie revealed (in an interview which sounded as though it was conducted by Alan Yentob, head of BBC Music and Arts) that he joined an advertising agency after leaving school and learned the art of story-boarding. That and his obvious theatrical flair, as in the creation of Ziggy Stardust for example, has enabled him to create videos which get very close to the power of Nicholas Roeg. A former lighting cameraman, Roeg is the man who directed such marvellous movies as *Bad Timing* and *Don't Look Now*. He also made the slightly less impressive *Man Who Fell To Earth* in which the star was, significantly, Bowie.

It is Roeg's extraordinary and exciting ability to express narrative in visual and musical rather than (or in addition to) verbal forms which I have long wanted to see developed by television. Rock videos seemed to be moving down that road, but *Video Jukebox* indicated that precious few video makers have even the desire, let alone the ability, to create something in the Roeg manner. "*Ashes To Ashes*" made by Bowie with as he acknowledged, was one such. With Bowie himself appearing as a clown, and a powerful atmosphere involving a black sea and sky and the sense of Armageddon impending, it was not merely a set of striking pictures designed to fill the screen during pop programmes but an integral part of a single expression in which music and pictures complemented one another. Videos of this quality, however, were so exceptional as to prove emptiness the rule.

The second idea which the programme introduced to me was a seeming paradox: that the coming of the video, far from enriching the audience's experience of pop music, had impoverished it. Initially the reasoning, which was twofold, sounded doubtful. First, it was said, prior to videos each listener created an individual visual interpretation or accompaniment to a song in the mind's eye whereas now, thanks to the video, everybody sees the same pictures. Secondly (though really another aspect of the same argument) the video is said to spoil the chance of a particular song acting as a mnemonic for particular people on particular occasions—"Listen, darling, it's our Saltfleet song"—because, again, the recordings now come with their associations built-in.

At first I doubted this, assuming that people's own associations would easily outweigh those of the video maker. But as *Video Jukebox* progressed, and gave me the chance to see some of these videos for the second time, it brought home the power of repetition: if a song is a chart success many young people see a video over and over again and then, I imagine, it would indeed become almost impossible to link the music with any pictures other than those in the video.

Even more important, perhaps, for the long-term health of this sort of music was a point made by Malcolm McLaren, that eminence not-so-grise of the pop scene who invented the Sex Pistols. Video, he said, had made rock music available to everyone; it had closed the generation gap. But the whole point of rock music in the beginning was to open the generation gap. Exactly.

Thus I left *Video Jukebox* (which, incidentally, began with a fascinating 30 minutes or so on "soundies" and other early record promotion material) with my feelings about rock video quite changed. So television may do more than merely reinforce existing prejudices? Perhaps it can occasionally, but it is worth remembering that it was, presumably, hardly the intention of this enormous programme to persuade us of the superficiality of its subject.

I still believe that television is far more influential with practical demonstrations than with theory: it rapidly teaches rioters how to rock cars until they overturn to form barricades, but it does not make a rioter out of you or me. Print or personal persuasion is still far more influential in the changing of minds. Though Hollywood's cartoon was drawn in the age of radio it maintains its validity in the age of television.

Outstanding—Queen (above) and David Bowie

A Midsummer Night's Dream

Michael Coveney

The interval is taken well into the fourth act of David Thacker's Young Vic revival of *A Midsummer Night's Dream* which is, to paraphrase Philostrate, as long as I have known a half. We break on a reunited Oberon and Titania rocking the ground and resume with Theseus and Hippolyta awakening the lovers. The fairy royals are doubled with their Athenian counterparts by Clive Arrindell and Estelle Kohler, a device originated by Frank Dunlop in 1967 and memorialised by Peter Brook three years later.

Here, alas, the idea seems as much born of economic exigencies as artistic inspiration. This is a *Dream* cut (though not textually) to the bone: stardust and fairy train are suggested by a plaintive violin soloist perched to the side of a split level lawn; Dominic Letts as a nimble, Johnny Rotten-ish Puck commands the First Fairy speech as well as projecting the snooty qualifications of a very funny champagne-serving Philostrate.

Miss Kohler and Mr Arrindell are experienced performers, and it shows. Both are grown up sprites rather than rhetorical monarchs of the forest, she writhing sensually around her somewhat bleak and abandoned bower, he a temperamental bewitching presence who recalls the bank where the wild thyme blows with Puck clamped like a hump on his back. The contrast with Theseus and Hippolyta lies in the energetic renewal of the marriage while Mr Arrindell's icily charmless conqueror leads a docile Miss Kohler to dull respectability. The production attempts no mirror images or elisions but it is, at least in these sections, well spoken.

The interval destroys the rhythms of the lovers' reconciliation, and the quartet is dressed in some routine Edwardian costumes — boaters, blazers, plus-fours for Demetrius—that do not help much in freshening the comedy. Joy Richardson is a spitting black Hermia, Julia Deakin a competent but stock comedienne of a Helena. The mechanicals are led by Reg Stewart's noisy, unlovable Bottom and, despite the presence of Wensley Pithey as Starveling, serve up the unfunniest "Pyramus and Thisbe" interlude I can recall.

MacMillan ballets/Covent Garden

Clement Crisp

Two performances dominate the new Royal Ballet programme of MacMillan choreographies at Covent Garden: that of Fiona Chadwick as the Fairy in *Le Baiser de la fée*, and Lesley Collier's impersonation of Anna Anderson in *Anastasia*. Both demand to be seen—Miss Chadwick's for the icily radiant assurance with which she sails in triumph through some of MacMillan's most brilliant classical writing; Miss Collier's for the maturity of understanding she now brings to a role in which she has ever deployed the full range of her gifts.

Baiser, at a second viewing, looks even more intriguing in displaying the conflict implicit in the fairy-tale, between the earthly simplicities and innocence of the village lovers and the other-worldly power of the Fairy's hold over the young man. This last is what gives Miss Chadwick's dancing its exceptional merit.

Whether poised triumphant at the peak of an arabesque, turning and leaping with exultant ease, or moving with an implacable yet poetic force round the Young Man, Miss Chadwick brings to her role that emotional and technical allure which exposes all the inner meaning of the piece. It is an authentic and heart-stirring ballerina performance, but one which as yet lacks the complementary richness that must come from the Young Man and his Fiancée. We must hope that Maria Almeida and Jonathan Cope will find the nuances of feeling and technique to give their readings a comparable integrity of expression. The staging is, nonetheless, a fine success — Martin Sutherland's designs continue to impress — and one owed to the generosity of Citicorp Investment Bank.

There are no weaknesses in the interpretations which frame Lesley Collier's grand assumption of that sad blue dress which is Anastasia's. David Drew as her husband, Sandra Conley as the Tsarina, Robert Jude as Rasputin, give strong, secure readings, and they set off the fraught outlines of Miss Collier's performance. From those first tentative moments when Anna ventures from her bed, marking out the lines of the floorboards as the only reality she can perceive, to the final moments when, stripped of every human relationship, she is sure of her own identity, Miss Collier takes us on Anastasia/Anna's terrifying interior journey with faultless skill and complete inevitability. It is a splendid achievement.

Cannes Film Festival/Nigel Andrews

Piebalds and thoroughbreds

Cannes 1986 has already gone down in history as the year of the great absences. No Spielberg, no Stallone, no Scorsese—with alarming consistency, Hollywood has sent its apologies for non-appearance. Meanwhile, the British, stiff-upper-lipped to the last, have not only come to Cannes, they have blazoned their presence there. A red, white and blue British pavilion stands on the sand, facing south, as if boldly defying any belligerent noises from the other side of the Mediterranean.

To the sound of controlled explosions—champagne corks—the pavilion was opened by Bob Hoskins and Neil Jordan, actor-director duo of the British competition entry *Mona Lisa*. This is a piebald movie—the inspired mixed with the banal—that resembles an episode of *The Sweeney* which has had the spirit of Fellini passed over it.

Ex-convict Hoskins, hired as chauffeur to chic black call-girl Cathy Tyson, falls head over spats in love with her and tumbles into a world of plush racketeering undreamt of in his unsophisticated philosophy. Michael Caine is purringly sleazy as the crime king at the plot's centre, Miss Tyson excels as the gioconda heroine with hidden depths and Hoskins's hero croaks gamely, like a bull-frog who finds he has been thrown into the deep end of a very large swamp.

It is a simple tale that sometimes seems, for a writer-director of Jordan's talent, too *simple by half*. Although at times Jordan lavishes visual grace-notes on the film—colour filters and expressionist swathes of smoke over hooker-patrolled bridges — one misses the oneiric intensity of *Company of Wolves* and the flair in *Angel* with which a thriller plot was pushed towards a larger moral-political fable.

The most fascinating aspect of *Mona Lisa* is its timeliness. It has jumped out at us at a time when similarly teasing, dark-toned mystery movies are coming at us from all sides. Already at Cannes we have had the black comedy convolutions of Bertrand Blier's *Tenue de Soirée* (*Evening Dress*), with Gerard Depardieu, Michel Blanc and Miou-Miou tripping the dark fantastic in a triangular tale of burglary and bisexuality; Sara Driver's likable if slow-moving *Sleepwalk* from the USA, a tale of murder, dreams and doom-laden Chinese manuscripts; and, best of all, Martin Scorsese's superb tragicomedy *After Hours*, with its lost hero (Griffin Dunne) stumbling through amorous misadventures in midnight Manhattan (more on this when it opens shortly in Britain).

There are also films which take place, mostly, in broad daylight. Denys Arcand's *Decline of the American Empire* is the first French-Canadian film I can remember *enjoying*. Four university dons (female) and four ditto (male) chat wittily and irrepressibly about love, life and above all sex: the first group while getting fit in a gym, the second while preparing a dinner party at one of the men's homes. Then all eight get together for an evening and morning-after of revelations and emotional disasters. It is like *Who's Afraid of Virginia Woolf* in a Nordic climate. It is also stylish, scabrous and often very funny.

Companion hit in the directors' fortnight, which has so far outpunched the main competition, is Paul Cox's *Cactus* from Australia. Isabelle Huppert is our heroine, a car-crash victim blinded in one eye who might lose the other. Robert Menzies is the totally blind boy she falls in love with, and Cox is the all-seeing director who made *Man of Flowers* and who here creates a densely styled, bravely unsentimental parable of perception and trust.

But the hottest news at Cannes so far has been the unveiling of new films from the two greatest living Russian directors. One is Sergei Farandjanov, who after making the masterly *Colour of Pomegranates*—vanished into a Soviet jail for several years (on a number of charges including homosexuality) and who has now emerged to co-direct with Dodo Abachidze *The Legend of Souram Fortress*. Perhaps due to its collaborative origins, the film is less focused and crystalline than *Pomegranates*. But the moments of pure Paradjanov—those dazzling heraldic images plucked as if from an illuminated manuscript, in which peacocks, doves, horses or medieval-dressed character are posed in ceremonial *tableaux vivants* — are unlike anything else modern cinema gives us.

Equally and differently distinct is the work of Andre Tarkovsky, Paradjanov's self-exiled compatriot. In *Sacrifice*, made in Sweden, a family living on a chill, isolated coast faces a kind of multiple apocalypse: the rumble of approaching war, the fear of death, the breakdown of love, the struggles of spiritual faith.

Though echoes of Bergman's *Shame* sometimes sound, and though Bergman's photographer Sven Nykvist shot the fiercely bleak images, the film is unmistakably *Tarkovskian*. Eerily drifting camera movements; the hypersensitive sights and sounds of nature; soliloquys that weave unnervingly between sanity and illogic; sudden openings into the emotional abyss, with Susan Fleetwood terrifying in breakdown as the wife; and the central tale of the writer hero (Erland Josephson, who played the self-immolating recluse in *Nostalgia*) moving inexorably towards "madness," self-sacrifice and a final, astonishing redemption. The film is haunting, harrowing, utterly original and made at the point where art reaches into the profoundest dreams.

The Legend of Souram Fortress, directed by Paradjanov and Abachidze

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Theatre

May 9-15

LONDON

Lend Me A Tenor (Globe): Fresh and inventive operatic farce by new American author Ken Ludwig set in Cleveland, Ohio in 1934. Dennis Lawson and Jan Francis lead an energetic company in mistaken identity romp, while Verdi's Otello carries on regardless. (437 1592)

Rowan Atkinson (Shaftesbury): New revue starring rubber-limbed clown with a strong line in scatological satire and rude sketches, many of them reflecting British classroom tyrannies. (379 5399)

Blithe Spirit (Vaudeville): Excellent revival of Noël Coward's smart comedy about a novelist harassed by his second wife and haunted by his first. Pinter's Old Times owes a lot to this play, well directed by Peter Farago, acted without undue Cowardian reverence by Simon Cadell, Joanna Lumley and the alabaster beautiful Jane Asher. (836 9987)

Interpreters (Queen's): Love among the diplomats, according to Ronald Harwood has a superb role for the matchless Maggie Smith renewing a cross-cultural affair with Edward Fox in the shadow of a summit between The Soviet Union and Britain. Fluent direction by Peter Yates of the West End's best new play of the year. (734 1166).

Les Misérables (Palace): Notably well sung and spectacularly produced rock opera from the Nickleby and Cats team of Trevor Nunn, designer John Napier and lighting man David Hersey. Colm Wilkinson superb as Jean Valjean. A melodramatic distillation of Hugo, and none the worse for that. The French score is rousingly melodic, with serviceable new lyrics from Herbert Kretzmer. (437 6834)

Lennon (Astoria): A not too critical celebration of the life and music of John Lennon that is enjoyable especially for the musical resourcefulness of the cast and Mark McGann's Lennon look-and-sound-alike. (734 4287).

NETHERLANDS

Amsterdam, Meervaart. Japanese puppet theatre (Thur). (10 73 93).

NEW YORK

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): In moving to Broadway, Herb Gardner's touching, funny and invigorating play about two oldsters retains its stars, Judd Hirsch and Cleavon Little, who almost conquer the world when they think they are just bickering with each other. (239 6200).

Big River (O'Neill): Roger Miller's music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

Philadelphia Story (Arena): Elinor Renfield, who last directed Peter Nichols's Passion Play here, takes on the Philip Barry American classic about a headstrong debutante whose society wedding draws the press to gawk. (488 3300).

CHICAGO

Cats (Shubert): The national tour has stalled here while the T. S. Eliot lyrics and Andrew Lloyd Webber tunes take extra time with an extended run. Ends May 31. (977 1710).

International Theatre Festival: Britain's National Theatre brings The Cherry Orchard directed by Mike Alfreds and The Duchess of Malfi directed by Philip Prowse to a festival that includes an Israeli company performing Joshua Sobel's Ghetto, a Japanese company doing The Trojan Women and local groups like the Body Politic doing Larry Ketron's The Hitch-Hikers and the Immediate Theatre doing Lillian Hellman's Another Part of the Forest. Ends May 25. (644 3378).

TOKYO

Kabuki: Matinee: Genta Kando (The Disowning of Kando) and Kasane (a dance of love and revenge). Evening: Kai Genji Yume no Hataage, a recently written prizewinning play, plus Kanjincho (The Subscription List), a traditional piece. Excellent English programme notes and earphone commentary. Kabuki-za, Higashi Ginza (541 3131).

Bunraku (Traditional Puppet Theatre): The Osaka-based National Puppet Theatre with life-sized puppets. Two performances daily with repertoire pieces. Good programme notes and earphone commentary. National Theatre Small Hall (265 7411).

BBC Symphony/Brighton

Paul Driver

The Brighton Dome accommodated the BBC Symphony Orchestra (conducted by Ronald Zollman) on Sunday evening for a programme of three modern works, two of them difficult and challenging for the listener. The first was one of the most blandishing pieces to pass for contemporary music in some time: *La ritirata notturna di Madrid* (The Madrid Tattoo; 1975), which is four original versions of an illustrative musical device by Luigi Boccherini transcribed and merged into one by Luciano Berio—a latter-day tonesmith of *some Boccherinian propensities.*

Where Boccherini, writing for stringed instruments, merely imitates a side-drum, Berio flourishes real ones. They pulsate throughout the short piece, distorting rather than defining the original's rhythmic character. Berio's transcription resembles Stravinsky's poignant "recompositions" of revered works—but Berio drops the poignancy and is all panache.

The third panel of Jonathan Harvey's *Inner Light* triptych was performed. I was hoping to hear the second—in which instruments, tape and speaker reproduce Kipling's short story *They*, whose Sussex setting would have been appropriate to the Festival. But *Inner Light III* (1973-75)—for large, pointillist orchestra and skilfully realised quadrophonic tape—proved sufficiently stimulating with its hard-edged textures, disciplined visionary strainings, and final ecstatic climax.

Hans Werner Henze's Piano Concerto No. 2 (1967) has tantalised and irritated me for years in the recorded performance by Christoph Eschenbach (for whom it was written). It is a great sprawl of a piece —a 45-minute single span; very demanding on the soloist, not *very often played.*

Sunday's performance—in which Peter Donohoe displayed extraordinary technical prowess and equally impressive emotional understanding, and Ronald Zollman was able to delineate the orchestral writing in an exceptionally clear and vital way—convinced me to my surprise of the work's real importance.

It will always, no doubt, be a hard listen; but rewards are there in the strange sounds—chromatic, frenetic, incandescent, anguished—of an expressionist tradition (the work is Henze's interpretation of Berg's interpretation of Mahler) in its delayed expiry.

Saleroom/Antony Thorncroft

Record for watch

An extraordinary record auction price for a watch was paid at Christie's in Geneva yesterday. A private bidder on the telephone paid £670,250 for a French gold, enamel and diamond set watch made by Jehan Cremsdorff in Paris around 1650.

The great richness and variety of enamel techniques used in the construction of the watch make it one of the most important examples to have surfaced in recent years, but even so the price far exceeded the £100,000 estimate, and the previous record price for a watch of £150,000.

In the same auction Christie's established a new record for a wristwatch when Patek Philippe of Geneva paid £102,500 for a watch it had made in 1955. The rare gold-cased gentleman's calendar bracelet watch was one of only three produced and it is virtually unused. It was commissioned by Gubelin, who supplied the bracelet. Its estimate had been around £30,000.

In the European porcelain sale at Geneva, Christie's sold seven Furstenberg rectangular plaques, made around 1770, for £41,990 in an auction which totalled £491,544 with 25 per cent unsold.

Meanwhile in London, Phillips did well with Old Master paintings, a Pieter Brueghel the Younger, of "The Wedding Feast," doubling its forecast at £190,000 to the French dealer Jonckheer, and a still-life of flowers by Jacob Marrel also doubling its estimate at £68,000. The dealer, Raphael Valls, paid £52,000 for the ruins of the old Kreuzkirche in Dresden depicted by Bellotto.

Sotherby's also had its successes in New York on Monday when its auction of photographs totalled £587,146 (with 19 per cent unsold), the highest total for a sale of photographs. Edward Steichen's image of Rodin's sculpture of Balzac, taken in 1908, sold for £34,440, a record for this photograph.

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
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Wednesday May 14 1986

The Senate and the IRA

THE NEW UK-US extradition treaty, negotiated between the two governments almost a year ago, is proving an important and difficult test of the Reagan Administration's vigorous posture of combatting terrorism. The purpose of the treaty would be to make it possible for alleged terrorists to be brought back to face justice in the UK. All these months it has been held up in the US Senate Foreign Relations Committee, mainly by reservations on the part of its Democrat members. Mr Tom King, the Northern Ireland Secretary, is in the US to lobby for the agreement as the committee resumes its debates. If he fails to help swing the balance, the policy of both governments for fighting terrorism as far as possible through judicial processes will have suffered a heavy setback.

The US has long cherished its historic role as a haven for political dissidents and under the existing treaty US courts of law have been able to oppose extradition of alleged terrorists on the grounds that their offences were "political." Under the new treaty the political protection clause would still remain but not for crimes of violence. Given the much greater public awareness of the general terrorist threat and of the vulnerability of Americans to that threat, there ought to be less resistance in the US to the idea of extradition for terrorist offences. The problem, as in the past, seems to be the enduring strength of the Irish-American lobby.

Ordinary rights

Some American opponents of the treaty argue that it would set a dangerous precedent, opening the door to a possible requirement for the extradition of freedom fighters to Afghanistan or political dissidents to South Korea. The argument is transparent and the parallels far-fetched: the US could not be compelled to replicate the UKW-US teraty with other countries, especially not with countries which deny or restrict the ordinary rights of democracy and/or judicial process. US opponents also object to the non-jury courts in Northern Ireland. No one would deny that these so-called Diplock courts are less than ideal, but even Irish-Americans should recognise that their purpose is to reduce the danger of jury prejudice in trials which focus on the issue which divides the Northern Ireland community and where Protestants might well be in the majority.

Over the months, some critics have retreated to a more qualified form of opposition: terrorist attacks against civilian targets would become extraditable offences, no longer protected by the defence that they were "political," but attacks against military targets could still benefit from political protection. It is hard to see any logic in the distinction, since all IRA terrorism is aimed, directly or indirectly, at the British state; it is harder to imagine a water-tight definition of the dividing lines and easy to see that it would be perceived in Ireland as a positive encouragement for terrorist attacks against military targets.

Worldwide scourge

The time has come for the US Senate to pay less attention to the views of the Irish-American lobby, and more to those of the Irish Government and the US Administration. Since the Hillsborough agreement of last November, the Dublin Government has made it clear that it wishes to co-operate more closely with the Government of the UK over the problems of Northern Ireland. It has repeatedly condemned terrorism, and it has signed the European Convention on the Suppression of Terrorism. The US Administration has given its support to the Hillsborough agreement by offering $250m in aid to Northern Ireland.

In the face of the worldwide scourge of terrorism which threatens many democratic countries, there cannot be two standards: one for Libyans and another for the IRA, especially in the light of extensive links between the Libyans and the IRA. If the US expects concerted international action to combat terrorism, as in the declaration issued after the recent seven-nation summit in Tokyo, it must respond to those terrorist threats which most directly threaten its closest allies. The Administration has responded; now it is up to Congress.

Prudent conduct in home loans

THE UK housing finance market has over the last 12-months undergone a greater transformation than at any time in its 200-year history. The entry into the field of dozens of new suppliers of mortgages, such as foreign banks and investment houses, has greatly sharpened competition. At the same time, the emergence of an embryonic secondary market for home loans, where originators can trade mortgage instruments on a wholesale basis, has broadened the scope of the business and made it accessible to new sources of investment and finance.

Nobody can deny this has brought great benefits to the homeowner in terms of both the cost of mortgages and the quality of service provided by mortgage makers. The mere fact that lenders are now advertising mortgages marks a sharp contrast from the days of long queues and indifferent building society officials.

But these developments also raise important questions about the conduct of the lending institutions and the management of the new markets which need to be addressed before one can state that the trends are all to the good.

Dubious practices

One immediate concern must be the impact of heightened competition on the lenders themselves. The history of banking is, unfortunately, rich in evidence to support the view that today's banking fashions contain the seeds of tomorrow's crises. While it is hard in the present environment of declining interest rates and rising incomes to foresee the home loan business turning sour, the terms being offered by some lenders seem to verge on imprudence. This is particularly true of cases where buyers are being pressed to take out larger mortgages than they can afford on properties in which they have little or no equity.

Bankers may with justice argue that the historical record on mortgages points to a low default rate, while property values have shown a virtually unbroken upward trend, providing good collateral. However, the recent rise in house prices has been driven more by the strength of demand fuelled by readily available mortgage finance than by the overall rate of inflation, and this must raise questions about its sustainability. Banks may say they can "turn off the tap" if the market shows signs of weakening. But this will not relieve them of bad mortgages any more than turning off the tap on loans to Latin America has resolved their Third World debt problem. The essential point must be that banks should not be tempted to lower their credit standards by the apparent safety of home lending.

Pricing policies

By the same token, banks will do their reputation nothing but harm if they are drawn by the intensity of competition to engage in dubious practices, such as offering cheap mortgages to new borrowers, and then locking them in to higher rates and charging punitive prepayment penalties — a practice not confined by any means to the more obscure names in the business. It should not be necessary, as some have suggested, to require that mortgage contracts contain clauses committing mortgage makers to charge the same rate to all their borrowers: often a spot of bad publicity will do.

Such abuses might, however, be included in a code of conduct as suggested last week by Mr John Patten, the Housing Minister, in a timely speech about the implications for borrowers of the evolving secondary mortgage market. His concern is that the growing practice among mortgage lenders, particularly banks, of selling their mortgages to newly created wholesale institutions severs the original relationship between lender and borrower, and leaves the borrower vulnerable to the possibly different pricing policies of his new lender. Banks could show their concern for this genuine problem by suggesting some acceptable yardstick for setting the interest rate on mortgages that are traded.

It is in the interests of lenders as much as borrowers that a market which finances something as deeply embedded in the social fabric as the family home should not acquire a reputation for indulging in excessive risk or questionable practice. While regulation may not be desirable, a good debate certainly is.

US TAX REFORM

Politics and the killer coalition

BY ANY measure, it was a dramatic about-turn. The US Senate Finance Committee's decision last week to abandon its futile efforts to buy off competing interests in the tax reform process with carefully crafted compromises and instead, at the eleventh hour, to rescue the Tax Bill was a populist step in an election year. Voters are being offered streamlined tax laws and a tax cut.

It was this, above all, which enabled the 20 members of the powerful Finance Committee to turn a blind eye to the hissing lobbyists who were listening in to their deliberations in the Senate auditorium and in chairman Robert Packwood's phrase to take the Bill "from immovable to unstoppable in 24 hours."

The package agreed by the committee promises a $100bn tax cut over five years for individuals, a lower tax rate of 15 per cent for four-fifths of Americans, and would take 6m people off the tax rolls entirely. All this to be paid for by tackling tax avoidance and making the corporate sector pay more.

There is another, political reason, for the committee's unexpected success. This relies on the fact that President Reagan, having publicly made tax reform the top domestic policy priority of his second Administration, finds himself threatened by the decision of the Democrat-controlled House of Representatives to approve its own reform bill and then blame the Republic-controlled Snate if the bill dies.

Supporters of tax reform now say these same considerations (coupled with Mr Reagan's praise for the finance committee bill) may also make it extremely difficult for the lobbyists in real estate, venture capital, securities, and the "rust belt" manufacturing areas, all of whom stand to lose from the reform proposal, to derail it on the floor of the Senate next month.

An imponderable, but one which may well work against the bill's opponents, is the likelihood that the tax debate will be the first major legislative proposal in the Senate to be televised. Senators facing re-election will not want to be seen defending tax loopholes voters do not approve of.

But it remains impossible to predict with assurance that the Bill will indeed clear the Senate, even less the shape of any legislation which will end up on the President's desk. As Mr Richard Darman, the Deputy Treasury Secretary, has put it, the lobbyists could still muster "a killer coalition."

If history is any guide, the bill's ultimate shape will be determined behind closed doors, so as to minimise interest group pressures, in a conference committee of House and Senate leaders this summer.

It is this committee which will have to reconcile the many differences between two bills, which while broadly similar in their thrust differ significantly in their impact on the various political constituencies. Business, for example, suffers more in the House version of the Bill.

This bill is also more generous in allowing taxpayers to deduct state and local sales taxes before arriving at their Federally taxable income — a concession sought particularly by Democrat-controlled big city governments.

As support for reform has grown, however, the debate about the political and economic repercussions of the major changes involved has revived. Dr Martin Feldstein, former chairman of the Council of Economic Advisers has warned about the adverse impact on the manufacturing sector—in particular as a result of the elimination of the valuable investment tax credit. He says this will tend to slowdown economic growth and capital spending and aggravate America's productivity problem.

Others, including Dr John Makin of the American Enterprise Institute, take the opposite view. It "might add the brightest jewel to the chain of the Administration's economic achievements," says Dr Makin.

The White House, too, projects that reform will accelerate the pace of economic growth. Consumers, it is argued, will have more money to spend and investment will be more productive. An end is coming, the optimists say, to the so-called "see through" office buildings — speculative real estate developments — whose biggest value is the size of the tax write-offs for wealthy investors.

Some economists point out that today's lower inflation and interest rates, in comparison with when the 1981 corporate tax breaks were enacted, mean that business is better able to shoulder a bigger tax burden. Anyway, they say, business is getting a fairer system, including a stiffer minimum corporate tax to catch businesses which pay little or no tax.

Many economists, however, believe that all attempts to gauge the economic impact of tax reform are ill-judged. "When you start fiddling around with something as complicated as the tax system, there is no way of telling where the net effect will come out," says Mr Anthony Boekh of the Bank Credit Analyst.

It is no easier to predict the bill's political consequences. Tax fairness and the idea of a sweeping tax reform with minimal loopholes has been strongly advocated by some Democrats, in particular by Senator Bill Bradley, a former Rhodes scholar at Oxford and professional basketball star.

It was apparently Senator Bradley who played a key role in getting the Bill moving again in the Finance Committee over the past two weeks. But some Republicans too, notably presidential hopeful Representative Jack Kemp also associated themselves firmly with tax reform.

President Reagan's enthusiasm for the idea, which only surfaced after his re-election, is thought in part to have originated in the belief of some Republicans that tax reform is an issue with sufficient potential to help them supplant the Democrats as the country's most popular party—the realignment which is the Republicans' most persistent political dream.

Certainly Mr Reagan's push for reform will enable him to claim much of the political credit if a Bill is passed. But the Democrats, by successfully moving reform through the House of Representatives last year, have done enough to deny their rivals a clear-cut political victory on the issue.

Stewart Fleming

Key proponents of tax reform on Capitol Hill (left to right): Rep Dan Rostenkowski, chairman of the Tax-writing House Ways and Means Committee; Sen. Robert Packwood, chairman of the powerful Senate Finance Committee; Rep. Jack Kemp, a presidential aspirant who has backed tax reform; Sen. Bill Bradley, the most persistent Congressional advocate of tax reform

THE MAIN TAX REFORM PROPOSALS

	Current Law	House Bill	Senate Finance Bill
Individual tax rates	11-50 per cent (14 brackets)	15, 25, 35 and 38 per cent	15 and 27 per cent (lower rate would be phased out for high-income taxpayers)
Corporate tax rates	15-40 per cent on first $100,000 of income. 46 per cent thereafter	15-30 per cent up to $75,000; 36 per cent above $75,000	33 per cent; same as House bill for income below $75,000
Interest payments	Deductions for home mortgage and non-business interest	Unlimited deductions for mortgages on first and second residences; additional deduction of $10,000	Unlimited deduction for mortgages on first and second residences; no consumer interest deduction
Depreciation	Recovery periods of 3-19 years with accelerated write-off	Recovery periods of 3-30 years; partially indexed for inflation	Retain current system of rapid write-offs, permitting larger write-offs for most property over longer periods
Capital gains	60 per cent exclusion; top effective rate of 20 per cent	42 per cent exclusion; top effective rate of 22 per cent	Special exclusion repealed; taxed as regular income

Corporations to carry a greater burden

THE VERSION of the tax reform bill passed by the Senate Finance Committee is the most radical of all the proposals to have been thrown up by the US Congress and Administration in the last 18 months.

Although some of the finer points of the original Treasury proposals, such as the adjustments for inflation, have been dropped as unnecessary administrative complexities, the Senate proposals come close to the Treasury's ideal of a fully comprehensive income tax with few exemptions for special interests. The Senate's proposed rates of Federal income tax, 15 and 27 per cent, are much lower than those of any previous proposal.

The package is estimated to shift the burden of about $100bn of Federal taxes over five years (3 per cent of total tax revenue) away from individuals to corporations even though the corporation tax, too, is being cut from 46 to 33 per cent.

The selling point of the proposals has been the dramatically lower taxes for individuals, especially poorer people. But some of the wealthiest will have to pay more tax. This is partly because personal exemptions and the lower 15 per cent tax rate on their first slice of income will be phased out for incomes above $75,000. In addition, these people will face higher rates on their capital gains and the closure of the most attractive tax shelters.

Real estate, which is also hit by tougher depreciation provisions, will be the sector most harmed by the closure of tax shelters, followed by agriculture.

The device proposed to undermine the tax shelters—and recover about $25bn in tax over five years—is similar to the UK's system of separate income tax schedules. The new rules will stop "passive" investments in tax shelters from being offset against an individual's actively earned income from employment or business.

The same principle applies to capital gains tax. The proposals will allow capital losses to be offset only against capital gains and no longer against general income. In addition, all realised capital gains will be subject to the full rate of income tax with no exemptions.

Wall Street securities houses fear that the measure will reduce trading in shares as individuals will be reluctant to cash in their gains and pay tax. The bill, however, removes the tax penalty on short-term trading and it may encourage an upsurge of sales in December, are due to take effect.

According to Mr Ira Shapiro, the Washington director of tax policy at accountants Cooper and Lybrand, the higher capital gains tax rates and the curbing of tax shelters may discourage higher risk investments, for example in start-up companies. More generally, the sharply lower tax rates on interest will encourage individuals to put their money into deposits and bonds rather than equity capital. "The danger is that companies will get too heavily loaded with debt," he says.

Despite the lower rates, the banks have been mobilising opposition to the bill. They object to its limitations on the tax-deductibility of their bad debt provisions and, more importantly, to the proposed abolition of the tax privileges of Individual Retirement Accounts (IRAs) for those who are already members of company or other pension plans. The IRAs have risen steadily in popularity and about a third of all households now have one, mostly with their banks, at a cost to the Internal Revenue Service of over $40bn a year.

But the tax benefits have gone disproportionately to the well-informed middle-class in high tax brackets and there is little evidence that the chronically low level of savings in the US has been boosted by the privilege.

Interest on unsecured consumer loans will no longer be deductible, a measure which has angered car and white goods salesmen. But as there is no limit on the deductibility of interest on mortgages on first and second homes, more sophisticated borrowers will merely replace unsecured loans with mortgages.

The corporation tax proposals appear more complicated and are riddled with concessions and exemptions. But they have a sharp sting in their tail.

Investment tax credits are to be repealed and most of the palliatives that were introduced in earlier versions of the Senate bill have been abandoned. One important concession that remains is an accelerated rate of depreciation on plant and equipment in its early years.

There is another radical measure in the Senate bill which in the longer term may undermine all the concessions that have been made this year to the principle of bringing all income into the tax net. It is designed to tackle directly the widespread public feeling that the large corporations have been able to dodge their taxes. General Electric has been the best-publicised example of a profitable company which has been able to avoid corporation tax for many years, primarily through an adroit use of leasing to gain tax credits.

Under the bill, companies will be required to compare their regular taxable income with two other yardsticks: taxable income after adding back all the special deductible items, such as accelerated depreciation and bad debt provisions; and the profits they declare to shareholders. If their regular taxable income is much lower than the average of the other two yardsticks, the difference between the two will be subject to an additional 20 per cent tax.

Thus for the first time auditors will partially determine the tax liability of their clients by applying the normal accounting standards. This is expected to increase the pressure on them to find ways of reducing a company's declared profits. But as Mr Paul Bodner, a tax partner of accountants Main Hurdman, points out: "In the past every company has tried to inflate its earnings to impress its shareholders. Now it will be interesting to see if they do the opposite."

Clive Wolman

Men and Matters

Back in space

Dr James Fletcher, the 66-year-old physicist who has just started a second stint as head of the US space agency, has been under almost as much critical fire as NASA itself after its recent launch failures.

During his Senate confirmation hearings, decade-old predictions about the Shuttle's commercial potential came back to haunt him. In 1972, he had estimated the cost of each Shuttle launching at $10.45m—a figure that eventually turned out to be $279m.

Fletcher was also reminded that he had projected the cost of lifting Shuttle cargo at $100 per pound, compared to current estimates of $5,264 per pound.

His assertion before a Senate committee that 'there's a 50-50 chance' that the Strategic Defence Initiative would provide 'a nearly perfect' missile shield raised more doubts about the administration's "Star Wars" plan than it soothed.

And his connection with Astrotech International, an aerospace company which is lobbying to build a privately-financed Shuttle to be leased to NASA, has also raised a few eyebrows.

But Fletcher's previous tenure from 1971-77 produced many successes. The Apollo Moon-landing programme and the Skylab space station mission were completed and two Viking robots landed on Mars. NASA badly needs more such spectaculars if the US is to maintain its space supremacy.

Now a multimillionaire, Fletcher had not wanted to return to NASA. But at a press conference this week, he denied having to be "dragged, kicking and screaming" back to the job. President Reagan had simply said he was needed — and he came.

Whiff of politics

The political cohabitation between President Mitterrand and Prime Minister Jacques Chirac does not seem to stretch underground to the Paris Metro.

One of the prides of the capital, the Metro system is currently in a state of turmoil. The new right-wing government appears to be going all out to force Claude Quin, head of the Paris urban transport system and the last remaining Communist in senior public office, out of his job.

While Quin has been fighting back, the pro-communist CGT union has called a strike in the capital's bus and underground system which is expected to cause havoc tomorrow.

The metro itself, which Quin has sought to display as an example of communist good management, is starting to look unusually messy. The cleaners have been on strike for a week and the Government yesterday ordered Quin to launch an urgent cleaning programme.

With the weather warming up, and the city swarming with tourists, travelling by metro is beginning to be distinctly unsavoury.

Relations between Quin and the new management appeared to have started well when the administration granted him an 8 per cent fares rise from the beginning of May. But the Government then hit Quin below the belt by asking him to slash FFr 80m from his operating budget this year, and to stop hiring new staff.

"There's trouble up at 'mill they're talking about profit-sharing again"

Bulldogs breed

Just 600 years after the Treaty of Windsor pledging co-operation between Britain and Portugal the Portuguese have availed themselves of a more recent British facility—a Bulldog issue.

Warburg and Lloyds Merchant Bank are to manage £50m of loan stock which will be Portugal's first borrowing in sterling markets for 109 years.

The British Bulldog has apparently never been more popular in Europe. Portugal (a member of the EEC only since last January) is the sixth EEC member to have undertaken one.

In case anybody doesn't know, a Bulldog is a fixed rate issue by a foreign institution in the domestic sterling market.

Good taste

With Egon Ronay at the table, you can be sure the meal will be extraordinary. So it was yesterday at the Inn on the Park in London when four of the best chefs in Britain—Michel Roux, Pierre Koffman, Michel Bourdin and Peter Kronberg—produced a fitting celebration for the first Grand Prix award of the British Academy of Gastronomes.

Founded three years ago to build on Ronay's pioneer work in "improving the standards of food and beverages in Britain at all levels of consumption," the Academy presented its first award to Jane Grigson, author and journalist, in recognition of the far-reaching effect of her books and articles on cooking.

Lord Ampthill, chairman of the House of Lords refreshment committee—"the bottom end of the market"—suggested that despite good progress, the Academy still had an enormous task ahead. "Many of the recent innovations . . . are to be praised, but it will be our job to pour your scorn upon some of them."

Ronay took the cue to award the wooden spoon to Dairy Crest, marketing arm of the Milk Marketing Board, for discriminating against one of the few great British gastronomic assets—traditional farmhouse cheeses.

Thanks to the negligence of the Ministry of Agriculture and the MMB, said Ronay, 1,600 small producers in 1940 had now been reduced to fewer than 200.

Backwater

First, know thine enemy. The National Union of Public Employees' London division has called a special conference today to step up the union's campaign against the privatisation of Thames Water.

The union is opposing privatisation because "it fears the sell-off will lead to high cost, the introduction of meters, a poorer quality of water, and a massive cut in investment leading to a dangerous increase in disease . . ."

NUPE has challenged the Government to test its assumptions that water authority workers are anxious to become shareholders in the new private companies.

Only trouble is, the union's divisional officer, Chris Humphreys, has addressed the challenge to Ian Gow, "the Minister responsible for steering through the legislation."

A lot of water has flowed under the bridge since Gow had such responsibilities as Minister of State for Environment. He was transferred to the Treasury last September, and resigned from the Government in November in protest over the Anglo-Irish agreement.

Observer

BASE LENDING RATES

	%		%
ABN Bank	10½	Financial & Gen. Sec.	10½
Allied Dunbar & Co	10½	First Nat. Fin. Corp.	11½
Allied Irish Bank	10½	First Nat. Sec. Ltd	11½
American Express Bk.	10½	● Robert Fleming & Co.	10½
Amro Bank	10½	Robert Fraser & Ptrs.	11½
Henry Ansbacher	10½	Grindlays Bank	‡10½
Associates Cap Corp.	11	● Guinness Mahon	10½
Banco de Bilbao	10½	● Hambros Bank	10½
Bank Hapoalim	10½	Heritable & Gen. Trust	10½
Bank Leumi (UK)	10½	● Hill Samuel	§10½
Bank Credit & Comm.	10½	C. Hoare & Co.	10½
Bank of Cyprus	10½	Hongkong & Shanghai	10½
Bank of Ireland	10½	Johnson Matthey	10½
Bank of India	10½	Knowsley & Co. Ltd	11
Bank of Scotland	10½	Lloyds Bank	10½
Banque Belge Ltd	10½	Edward Manson & Co.	11½
Barclays Bank	10½	Meghraj & Sons Ltd	10½
Beneficial Trust Ltd	11½	Midland Bank	10½
Brit. Bk. of Mid. East	10½	● Morgan Grenfell	10½
● Brown Shipley	10½	Mount Credit Corp. Ltd	10½
CL Bank Nederland	10½	National Bk. of Kuwait	10½
Canada Permanent	10½	National Girobank	10½
Cayzer Ltd	10½	National Westminster	10½
Cedar Holdings	12	Northern Bank Ltd	10½
● Charterhouse Japhet	10½	Norwich Gen. Trust	10½
Citibank NA	10½	PK Finans. Intl (UK)	12
Citibank Savings	¶10.75	Provincial Trust Ltd	11½
City Merchants Bank	10½	R. Raphael & Sons	10½
Clydesdale Bank	10½	Roxburghe Guarantee	11
C. E. Coates & Co. Ltd	12	Royal Bank of Scotland	10½
Comm. Bk. N. East	10½	Royal Trust Co. Canada	10½
Consolidated Credits	10½	Standard Chartered	10½
Continental Trust Ltd	10½	Trustee Savings Bank	10½
Co-operative Bank	*10½	United Bank of Kuwait	10½
The Cyprus Popular Bk.	10½	United Mizrahi Bank	10½
Duncan Lawrie	10½	Westpac Banking Corp.	10½
E. T. Trust	11½	Whiteaway Laidlaw	11
Exeter Trust Ltd	11	Yorkshire Bank	10½

● Members of the Accepting Houses Committee. * 7-day deposits 6.38%. 1-month 6.69%. Top Tier—£25,000+ at 3 months' notice 9.72%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 6¼% gross. ¶ Mortgage base rate. § Demand deposit 6.35%. Mortgage 11⅝%.

TOMORROW Britain becomes the second country in the world after the US to have competitive telephone services. After five years, and more than £150m investment in the new network, Mercury Communications will set its meters running. "The tills start ringing along with the telephones," says Mr Gordon Owen, chief executive, fizzing with confidence.

The two networks are completely linked. Mercury customers will not need two telephones; they will be able to choose which network they use at the touch of a button, and will be able to call any other telephone in the world. Large customers can start to use Mercury at once; small ones, including residential users, must wait until autumn.

The giant British Telecom—turnover about £10bn and capital investment £2bn a year—*is brooding over how to respond* to this upstart. For Mercury is inevitably aiming at the heartland of BT's profits—big business, trunk and, above all, international calls.

Mercury, a subsidiary of Cable and Wireless which operates telephone monopolies on behalf of several countries around the world, has pitched *its long distance charges* at about 15 to 20 per cent below BT. Everyone is waiting to see how BT responds and its shares have been affected by fears of a price war.

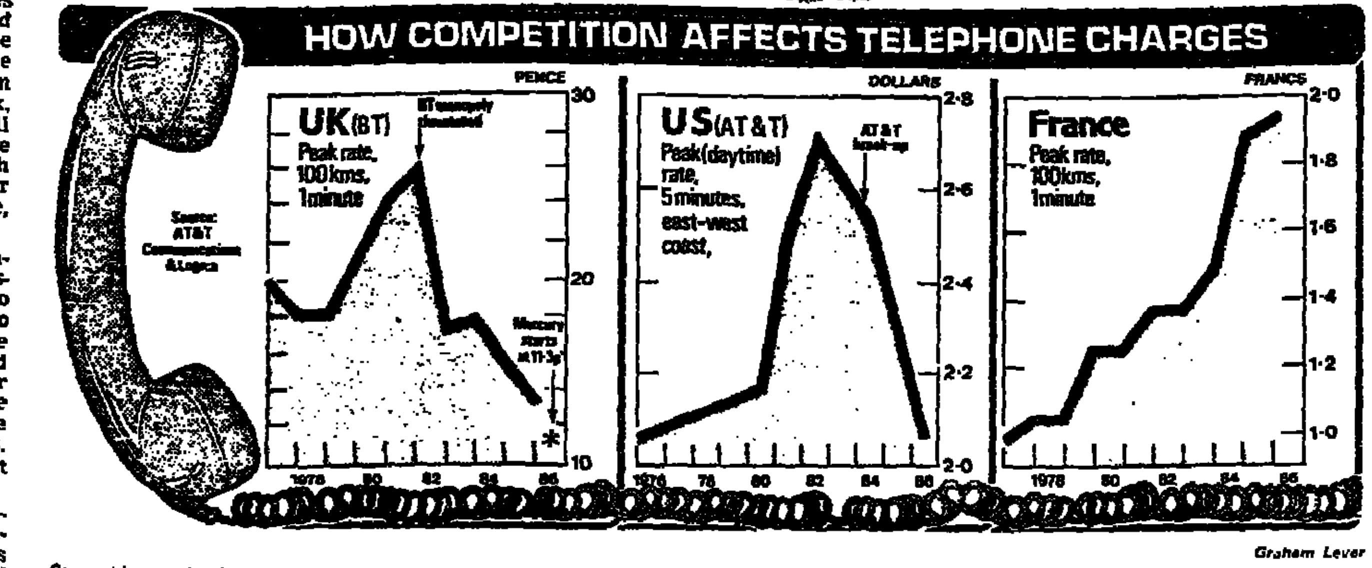
Large users will be the main beneficiaries of the new regime. For the past four years BT has been rebalancing its tariffs in preparation for tomorrow by *cutting long distance* rates and putting up rentals and local charges.

Professor Bryan Carsberg, director-general of the Office of Telecommunications, who has *to ensure fair play, has already* issued a mild rebuke to BT for floating some ideas past its bigger customers without telling him. But he also says: "My *attitude* is that BT must be allowed to compete any way they want, as long as they do it fairly."

Mercury is almost certain to succeed. Indeed, BT wants it to—but only just. It believes competition together with light regulation is preferable to the heavy regulation which would be needed to control a privately owned monopoly. The question is how successful will Mercury be? Its declared *ambition is to achieve 5 per* cent of the market by 1990 which by then will total around £8bn if it continues to grow at the present rate of 8 per cent a year.

The important point is that Mercury will try to get a much larger share of business from BT's big customers such as the banks, financial markets and multinationals. The top few hundred customers account for roughly one quarter of BT's *profits and Mercury* expects to have some orders from almost all of them within a year.

HOW COMPETITION AFFECTS TELEPHONE CHARGES



Competition or the threat of it has served to cut long-distance phone charges in the UK and the US. In France, where there is so far no challenge to the state monopoly, prices have continued to rise.

Mercury spreads its wings

By Jason Crisp

A straw poll among telephone managers indicates it could succeed. One foreign-owned *multinational with 50 lines said* on present pricing it would change over 18 to Mercury and a large British company said half its needs would be met by *Mercury if BT did not respond* on price.

BT's response will be critical because the wrong reaction could result in a large dent in profits. BT's high fixed costs *means* that price *cuts or* revenues lost to Mercury have a large impact on its profits. "If BT gives away £1 of revenue it is also giving away £1 of profit," *notes Mr Bill Dixon,* analyst at stockbrokers Scott Goff Layton now part of Smith New Court Agency.

There is a fierce debate going on within BT. The many managers who have been exhorted over the past few years to become commercial and competitive are now frustrated that BT is not taking immediate aggressive action.

Sir George Jefferson, chairman of BT, insists that he will not be panicked into making a response to Mercury. "We will want to look at how things are going. We have various plans in embryo on how we will react if we find the need to do so . . . and if we need to we shall do it. As of today we have not decided what to do."

With Mercury likely to make less than £50m from the public network in its first year BT would be foolish to make a *rapid or sharp move* which could cost it far more. In any case many companies want a second source of supply, even if BT does match Mercury's *prices.* *They fear possible* future industrial action.

There are restrictions on how much BT can raise other tariffs if it cuts them for large customers. However, BT is expected *to drop its traditional annual* November revision of prices to give itself more flexibility.

The most popular—but certainly not the only—response is the so-called "optional call plan." *For a high fee large* users lease blocks of, say, 20 lines on which there are substantial discounts on the call charges. The advantage to BT *is that it effectively* restricts the discount to its big customers.

BT has hinted at a scheme *which would result in those* customers getting an overall 15 to 20 per cent discount. *Prof* Carsberg, who has to approve tariff changes, says: "They *would have to show* that there was a lower cost in serving those customers and there was no cross-subsidy. It is reasonable to suppose it is a *bit* less. It is my job to look at the proposal sceptically and 15 to 20 per cent is quite large."

Despite being the newcomer *facing a deeply entrenched* and powerful monopoly, Mercury has several advantages. These include: lower costs as it is not burdened with BT's high staff levels and has benefited from tumbling equipment prices; better product because it can offer all its customers new services such as free itemised bills which BT can only offer to a *few* at present; freedom to concentrate on the most profitable parts of the market; and a substantial discount on BT's rates when a Mercury call goes over *its rival* network as part of the interconnection agreement adjudicated by Oftel.

On the other hand BT has: enormous financial muscle limited only by Oftel's *constraints; a complete knowledge* of the market and traffic; and it is a well recognised and known quantity, with *enormous* technological resources and 100 per cent of Britain's 22m telephone subscribers.

Mercury faces a considerable problem in regulating the level *of demand.* *Too little and it* loses credibility, too much and it will run into embarrassing backlogs and delays. *Already* BT—itself notorious for missing deadlines—is claiming Mercury is behind schedule on the links which connect the two networks.

More important, Grand Metropolitan Mercury's first customer for the public network, is rather critical that its *lines were a few days late.* Mr John Kelly, Grand Met's telecommunications director and chairman of the Telephone Managers Association says: "Some of the intermediate project management is a little flakey. *I suspect more* attention is being paid to the 'hi-tech' than to things like *service, marketing and delivery.*"

Several telecommunications managers believe Mercury will have quite a slow start because it only started selling last Christmas and it takes *customers a long time* to make a decision. Another problem is that the benefits of using the network are reduced because most PABXs in the UK are *not smart enough to route calls* automatically on to the cheapest circuit — as is common in the US where there has been competition for nearly *10 years.*

Nonetheless, Mercury is adopting an aggressive stance which was shown last week when it placed an £18m order with GEC Telecommunications for System X local exchanges *(developed at BT's expense).* It means there should be a local exchange and service in the City in time for Big Bang.

So does Mr Owen at Mercury who has said in the past that *he will always undercut BT* think there will be a price war? "There is not going to be one. Price is only one part of what I'm selling. We're offering high quality, *high efficiency* and itemised billing plus I am an alternative to BT. It seems to me I can stay with my tariffs."

Immigration in Europe

Political rights and foreign workers

By Hermann Korte

SAUDI ARABIA and West Germany have one thing in common: a large number of guestworkers. Like West European states, Saudi Arabia has depended on importing guestworkers *to supplement its work*force deficit during economic booms. Now that signs of Saudi recession are beginning to appear, it has become evident that it is not so easy to "get rid" of part of the approximately 3.5m foreign workforce. The *social* costs and political consequences of guestworker programmes usually *arise when* the original economic benefits are long since forgotten but the foreign workers are still in the country.

Unlike its West European *neighbours, where ex-colonials* have an assured residence status, Germany has almost no workers from its previous colonies. After nearly 25 years *of employment of foreign* migrant workers in the country, it is clear that organised recruitment of the so-called "Gastarbeiter" was connected *with the basic idea of getting* seasonal and temporary lower-paid workers with lower social security costs. Labour rotation was not only accepted in *principle* by those in power but forced on them by the unions, since they feared competition from a cheaper and more easily manageable labour force.

As for the countries from which the guestworkers came, they hoped to ease their unemployment problems and induce economic development by using repatriated workers who had gained experience in foreign industry. The migrant workers themselves hoped after a temporary stay in a foreign country—even accepting bad conditions—to improve social *conditions at home on return.* However, it is now recognised that neither the hopes of sending and receiving countries nor those of the migrants have been *fulfilled. Indeed, it is possible* that some structural economic problems may arise from large-scale and long-term employment of a cheap and poorly *qualified* workforce.

Most of Germany's guestworkers have now settled down *permanently. They want to stay* a long time but without changing their citizenship. In 25 years an unplanned, new form of migration has emerged: amounting to life-long residence in a foreign country.

Many foreign workers and their families are only partially integrated in their adopted lands. Those actually in jobs are integrated into their working worlds. They are often core members of the firm, organised in trade *unions, taking part* with equal rights in elections for official social organisations and workers' councils, and well-respected colleagues. But all this ends at the factory gate. Outside the place of work there are hardly any contacts. Admittedly, children are integrated in their schools and in peer groups. But other *contacts, such as mutual visiting,* are remarkably rare.

Politicians and political administrators, at federal and state levels, generally believe that *the foreign population,* despite an average length of stay of 15 years and more, is a temporary phenomenon. All official statements and decisions *repeatedly emphasise* that West Germany is not a country of immigration. Only the new "Green" party differs in some respects from the other three *established* parties in the Federal Parliament, without, however, having a clear alternative position to the fact of residence.

The official attitude to migrant workers in West Germany seems to assume that *they are merely objects of ad*ministerial concern. The policy towards foreigners in general is governed by the myth of sole possession of power. Certainly the Germans are more powerful than their foreign co-residents, but the latter are not that powerless. Sometimes one gets the impression that political decisions assume that foreign workers are manipulable objects, who can neither read *nor write.*

One aspect that politicians and administrators often forget *is that resident foreign workers* are also members of a constitutional state in a parliamentary democracy. Unlike, for example, the Poles in the Germany of Kaiser Wilhelm II, contemporary migrants benefit not only from general human rights, but *also from the principles of the* constitutional state, whereby some political groups and organisations, eg, churches and unions, guarantee them extra protection. As long as the foreigners are legally resident, they are not merely part of an industrial reserve army, but are relatively protected members of a democratically organised *economic and social system.* This is one reason why the hardline conservative Minister *of Interior Affairs,* Dr Zimmermann, cannot implement his plans for a rigorous policy towards foreigners.

The Saudi Arabians have also realised that there are limits to their desire *to repatriate their* guestworkers, set by economic religious or ethical principles of internal politics or by a foreign policy which takes into consideration that the guestworkers come from a fellow Islamic state.

In Germany and other West European countries, political *participation of guestworkers* will form a major point of contention. Increasingly it seems set to undermine the principle of the nation state.

This applies not only to border-crossing *problems,* but especially to the question of how a *society justifies rights to politi*cal participation. In the 19th and early 20th centuries, belonging to a nation was a persuasive argument in the fight for equal and free voting rights. However, at the end of the 20th century, it is debatable whether belong*ing to a nation alone or long*term residence justifies political participation rights. A test for European unity will be the question of how workers who spend the greater part of their lives in a foreign country can be given rights to political participation and voting rights.

It would be a positive step forward if the West European states were to resolve this issue through communal action, since problems *already looming on* the horizon will be soluble only through European solidarity. There are already hundreds of thousands of North African and South-East Asian guestworkers in Greece, Italy and Spain, and despite regional high unemploy*ment, this trend is on the in*crease. Whether in these cases lessons from the past will be drawn for the future will depend on whether the West European states provide a good example for their South European partners.

The author is Professor of Sociology at the Ruhr-University Bochum.

Letters to the Editor

Penalties of VAT

From the National Chairman, Union of Independent Companies

Sir,—The Finance Act 1985 contained some major changes to VAT legislation. New penal enforcement provisions unintelligently applied could seriously damage companies which have been in the habit of: understating tax payable deliberately or in error; paying VAT late; overclaiming input tax; and submitting VAT returns late. In circumstances in which neither a criminal nor civil fraud offence is in question, a penalty of 30 per cent of the tax assessed will be automatically imposed together with an interest charge.

The UIC supports fully the need to ensure the proper records are retained by registered traders, and that VAT returns and payment are made on time, but we are concerned that the strict application of these new penalties later this year, at a time when many independent manufacturers are facing substantial rate increases, following the redistribution of the rate support grant, will cause unnecessary "cash flow" burdens to many such firms. We believe that the Government should face the commercial reality of the situation and instruct Customs and Excise to mitigate new penalties during the first six to nine months of their application so as to work up to their full impact over this period.

This is an appropriate time for the Government to consider, within the context of its programme of "lifting the burdens" on smaller firms, allowing such enterprises an additional month's credit in the payment of amounts of PAYE, National Insurance and VAT. This would be some compensation for the cost, which is often quite significant in relation to their size, which they incur in acting as unpaid tax collectors for the Treasury.

B. A. Baldwin.
PO Box 186,
London SW7.

National pay scales

From Mr N. Clark

Sir,—I fail to comprehend why when doing the same work for the same company and contributing the same added value to that company, a person in one region should be paid any more than one in another. Why are people in the country allowing themselves to subsidise those working in areas such as London, who, generally, have a shorter working week.

Perhaps if we were to have single national pay scales property values would become more unified and greatly help increase the mobility of labour. Why try to complicate matters with regional variations, allowances and weightings.

Neil Clark,
51 Woodland Drive,
Bromham, Beds.

Regenerating inner cities

From Mr D. Harrison

Sir,—I suggest that regeneration of the inner cities can only come from those close to the problem — in other words from the local people. At the moment, those local people are encouraged to put their savings into forms of investment blessed by the Inland Revenue. Money invested in that way ends up in London and very little of it seems to find its way back to the provinces.

I therefore suggest a 10 year tax holiday for all forms of property investment in any of our towns and cities, confined physically to areas which were developed before World War One. This would boost refurbishment and increase the value of the local business rating base. Declining inflation makes property a safe home for individual investment.

Remember that the inner towns and cities were all built by local people with money made locally.

Desmond Harrison.
Fox & Harrison,
51 Lower Hall Lane,
Walsall, Staffs.

Labour pay policy

From the Deputy General Secretary, Technical, Administrative and Supervisory Section AUEW

Sir, — There are certain inaccuracies in your report "Union spurns Labour pay policy" that seems important enough to be pointed out. While we welcome Mr Hammond's recruitment to those growing ranks who oppose incomes policy his union is not the first to do so publicly.

In April the STUC publicly declared its opposition. Two weeks ago my union (at annual conference) agreed that " . . . any hint of a wage restraint policy by the Labour Party will spell electoral disaster and prevent Labour winning back the votes of skilled workers."

We consider this to be one of the most important issues at our conference.

Barbara Switzer,
Onslow Hall, Little Green,
Richmond, Surrey.

British coal industry and the collapse in oil prices

From Mr W. Griffiths MEP

Sir,—Your editorial (April 30) on how the British coal industry should respond to the collapse in oil prices only tells half the story. Your main point is undoubtedly correct—namely that electricity prices must come down in the UK in line with the international trend, otherwise British industry and employment will be put at risk. Where your analysis leaves something to be desired is the "fair treatment of the NCB (now British Coal) and its accounts in the light of Opec's presumed demise of monopoly.

During the past 13 years, the era of the Opec monopoly price for oil, the NCB was used by the UK as a form of strategic insurance against even greater exploitation by Opec. Massive capital investment was pumped into new coalfields, and faces in Yorkshire and the Midlands with the intent of reducing oil burning in UK power generation virtually to zero.

It is nobody's fault that the Selby coalfield with its 10m tons capacity per annum is coming on stream now, with the oil price back down to mid-1970s levels. In fact the development of Selby and the Vale of Belvoir have played some part in helping to crack the Opec monopoly. What, therefore, is the fair way to treat the capital value of British Coal's assets after the decline in oil prices when the politically and strategically dictated "excess" of investment in coal has helped to cause that energy price collapse? Clearly what you cannot do is to imply that it is British Coal's fault for now having excess capacity. That would be to thank the British coal industry for its valuable assistance from 1973 to 1986 to the economy of the West and then to consign it to the dustbin of history.

The only answer surely is that the shareholders in British Coal i.e. the body politic of the UK have to accept a major writing down of British Coal's assets. The coal industry now finds itself in a false position through no fault of its own. It has been strongly steered by its shareholders into head-on competition with the oil industry. Following the oil price drop down to $10 a barrel, or even at a more realistic medium-term $15 a barrel price, British Coal cannot compete for power generation supplies and pay off its capital debts. Having steered the industry into competition, we have received our "return" on that investment in lower oil prices. We are ex hypothesi not going to get any direct "return" on our coal investment as well.

If we accept that a lowish oil price is with us until the year 2000 or later, then all we can do now is to steer British Coal away from competition with oil as fast as physically possible. We have to wind down the exploration and development effort in the English Midlands and North and wind it up in the "specialty" coalfields such as Durham and South Wales which have been pretty well neglected in the past 13 years.

A small start has just been made with the approval of a £30m investment project for a new anthracite drift mine at Carwe Fawr, Dyfed. A much more substantial project still awaits approval at British Coal headquarters, namely the £80m Margam coking coal mine, 10 years after it was first conceived and used to draw miners into signing deals to close older coking coal mines in central Glamorgan.

Approval of the Margam project has been put off time and time again for reasons which have nothing to do with economics. The Central Electricity Generating Board has been settling its accounts with the NCB in sterling on a fixed price, as though energy was not an internationally volatile commodity but British Steel has settled its accounts with British Coal on a much more realistic international sliding scale in dollars. British Coal investment rules were designed by the Treasury to suit the phoney circumstances of its annual negotiations with the CEGB not the real commercial world haggle between NCB and BSC.

From being the forgotten poor relation of the UK coalfields, South Wales now shows every indication of being the only British coal area that can look a $10 a barrel oil price in the face and see a prosperous future ahead, as iron and steel and the other energy-hungry industries of the developed world can now foresee a less constrained future decade or two. An early approval of the Margam mine would indicate that the Government, the Treasury and British Coal have appreciated how quickly they and the British coal industry must now react to the totally new shape of the energy industry worldwide.

W. J. Griffiths.
(A Vice-President, European Parliament).
13 Adare Street,
Bridgend, Mid Glam.

FINANCIAL TIMES

Wednesday May 14 1986

Jane Rippeteau in London reports on the backlog of unlaunched satellites

Shuttle failure costs customers $1bn

COMPANIES lined up to launch commercial payloads – mainly communications satellites – on Nasa space vehicles face costs of over $1bn as equipment sits idle on land, according to one space programme expert.

However, public and business clients requiring the voice, data and broadcast bands the satellites provide are unlikely to be affected for a year or more because of present overcapacity.

Twelve communications satellites were scheduled on US space shuttle flights between June 24 and the end of 1988, according to a Nasa official. When the shuttle was grounded after the Challenger explosion in January, some customers – including US companies as well as three foreign governments – had hoped to use Delta, Titan or Atlas-Centaur rockets. With the Deltas and Titans now also grounded, and other vehicles booked mainly with military payloads, that hope has vanished.

The Delta alternative "seems out now," Mr Warren Bechtel, spokesman for Western Union, said. "We are looking at all the alternatives." He added that Chinese representatives of the Long March rocket "were in the US six weeks ago talking to satellite operators and we met them."

Western Union was booked on the Columbia due to fly on June 24 to launch its Wester VI-S, with 24 transponders. The satellite would have replaced the Westar III, in use since 1979 and with only half as much capacity. Western Union has two other 1982-vintage satellites in orbit but said there would be "no serious problem in the near term" meeting customers' needs.

At least one company, GTE, managed some fancy footwork after the shuttle explosion and secured one of the few bookings left on the European Ariane rocket, according to Mr March Oderman, vice-president of the Center for Space Policy, a private company in Cambridge, Massachusetts. He added that Intelsat, an international consortium, was able to engineer an advantageous shift: it moved up two later launches booked on Ariane to replace two set for the shuttle.

But the others appear out of luck for the time being. The satellites cost $80m to $100m to build, and their loss of use "is like putting money in a non-interest-bearing account you can't get at," Mr Oderman said. Added to that is lost revenue from not having the equipment in service.

Another 24 satellites have been approved by the US for construction, according to Mr Oderman. However, owners likely to delay signing contracts for now.

Not everyone thinks the delay in commercial launches is a bad thing. "There is a lot of excess capacity available right now," said Mr Geoff Roman, vice president for local networks in the Jerrold division of General Instrument said. The division supplies earth receiving stations and other ground equipment.

"There is at least a year's growth (in demand) before there are any significant problems, and maybe not even then," he added.

In addition to overcapacity of about 30 per cent, including some the Federal Communications Commission likes to have free for demand surges, he said that up to half the transponders on satellites in use may be free. "Rates are still negotiable," he said. "Nobody is hiking prices yet."

Demand for video capacity has cooled, for example. The scrambling of signals for pay television helped to cut demand for backyard dishes to receive satellite television from about 60,000 installations a month to as little as 15,000 to 20,000, he said. Before scrambling, dish-owners could pick up television signals without having to subscribe to a supplier's service.

Business demands for video-conferencing are also safe for the time being, Mr Roman said, because of advances in data reduction techniques that cut out bandwidth requirements.

However, there is considerable concern over Nasa's ability to recoup in the long term. Disenchanted customers lured by European, Japanese, Chinese or even Soviet competitors may be difficult to win back. "Once you lose business, it is much more difficult to get it back," said Mr David Clement, Republican counsel on the congressional subcommittee for space science and applications.

Mr Clement said the Defence Department was about to ask for proposals for 12 new launchers to be built over the next four years. Although they were slated for navigational satellites, "this will turn the production line back on," he said.

Mr Oderman said serious consideration was being given to changing the structure of space launch contracting for commercial rides on expendable vehicles. One possible could be companies building launchers would sell directly to a customer, or a new company set up for the purpose, which would then contract with Nasa just for use of its launch facilities. Traditionally, Nasa has bought the launchers and handled the rest alone.

This could ease some of the burden on Nasa.

They way people are feeling about Nasa is that you are taking two dice and rolling snake eyes more than twice in a row."

Ford UK lifts profits after five-year slide

By Kenneth Gooding in London

FORD of Britain has halted a five-year slide in profitability by boosting taxable profits from £60m in 1984 to £160m ($248m) last year.

The company is also to pay its US parent a dividend for only the second time in six years – £100m from retained profits. A £135m dividend was paid for 1979 followed by £39m for 1983.

Mr Sam Toy, chairman, says in his report that equally important is Ford of Britain's return, after an interlude of a year, to an operating profit – £88m against a loss of £14m in 1984.

The company's total employment costs fell by £29m, or 3.69 per cent, last year to £756m, accompanied by a 9 per cent drop in the number of employees from 58,700 to 53,300.

Mr Toy says the manufacturing performance showed a "most encouraging" improvement in 1985. "Many fewer vehicles were lost through industrial disputes but the increase in output also reflects an improvement in productivity, indicating a measure of success in the company's long-term plans for greater efficiency."

Ford's vehicle production in the UK last year rose by 12 per cent from 406,263 in 1984 to 455,147.

Mr Toy says he hopes the downward trend in profitability has now been reversed – but gives no forecast for this year.

"The return on sales, at 3.9 per cent, is still insufficient by any normal business standards, and £160m is substantially less than our capital expenditures during the year (£249m compared with £174m in 1984)," he adds.

He points out that Ford held on to UK market leadership in cars, commercial vehicles and agricultural tractors last year, but in each sector by a slightly narrower margin.

Mr Toy, who is to retire at the end of this month, in his last full year earned £127,286 a 19 per cent reduction from the £157,409 for 1984. His bonus is linked to Ford's worldwide performance and this helped his pay rise by 50 per cent in 1984.

The company's exports rose in value from £980m to £1.035bn in 1986 but for the first time in many years Ford declines to give import statistics on the grounds that no other company in the industry does so. In 1984, its balance of trade deficit was reduced to £501m from £637m.

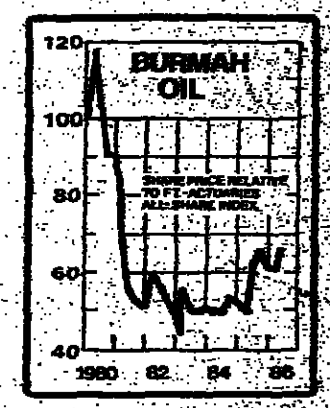
Interest on loans, mainly to the US parent, enabled Ford to remain in the black in 1984. The loan to Ford US at the end of last year stood at £816m, including £90m of interest accumulated in 1985.

In January, the terms of the loan were changed so that it can be repaid at any time.

Turnover increased by 7.8 per cent to £4.045bn. Net interest added £72m (£74m in 1984) to the operating profit.

THE LEX COLUMN

It takes three to Tangle



Investors lost in the maze surrounding BHP might think after negotiating yesterday's corner that a quick look over the hedge would show that they had almost reached the centre. But the next twist could just as easily lead them away from a solution again. There is still the chance that any two or even all of the three main parties, BHP, Elders IXL and Bell Resources, could end up joined together.

Bell's Mr Robert Holmes à Court has cut through BHP's main defence to his partial bid – asset value – with a 20 per cent increase. Having published Macquarie Hill Samuel's valuation of BHP shares at A$9.35 in its earlier rejection document, BHP would now be quibbling if it refused out of hand Bell's new offer of A$9.20 a share on price grounds. BHP shareholders must take the increased offer seriously. Bell's own shareholders should also take a look at the possibility of the offer succeeding on borrowed funds on which the interest payments cost more than the BHP dividends return.

It is just as plausible to suggest that Elders could now bid for BHP and freeze out Bell. Mr John Elliott might repeat the success of merging his company Henry Jones IXL with the larger Elders Smith in 1981 and come out on top of BHP. That solution could keep him too busy to bother with Allied-Lyons. It requires a more devious mind to find the logic of an Elders/Bell alliance, though even partial success for Bell's offer would mean that if Bell's interest were added to Elders' the two would have control of BHP.

Burmah

It would be an act of desperation for an oil company to make a rights issue in the midst of a slump in the oil price. In Burmah's case it is clearly not. In fact the balance sheet, after much hard work in recent years, is quite strong, the business is generating cash, and the remaining assets to be sold could fetch their £40m book value. So aside from opportunism, yesterday's £86m issue suggests that Burmah is determined to be an oil company no more. Its future apparently lies in lubricants and special chemicals, with growth coming mainly through acquisitions. As such, argue the bulls, Burmah should be classified as an industrial group and the shares re-rated to a prospective p/e above current forecasts of around 10.

So far Burmah's current management has demonstrated its ability to get rid of loss makers, although some, like the Bahamas terminal, have taken a long time to go. Now the process of rationalisation is over, unless the oil exploration and production division should become another case for treatment, and the share price has responded. To take the re-rating further Burmah must show a like skill in picking and running acquisitions. It has a much shorter track-record here and the London market is not wholly convinced that the general direction is even right. Burmah still has a lot to prove.

Sears

If it were possible to forget that Sears is still the holding company for British Shoe (and for a substantial US shoe business as well) the group's results for the year to January would make reasonably pleasant reading. Operating profits in every other part of the Sears business were decently ahead of 1985, and the arrival of television in the betting shops seems to have given William Hill a particularly good run with the punters's money.

At pavement level, however, Sears is still having a hard time. Bad weather not only keeps shoppers out of the big London department stores but it chokes off routine shoe purchases in the British Shoe chains. Even with a fairly intensive effort to sharpen the image of these stores – and establish more distinct brand identities for them – it proved impossible to stop lised margin from slipping a change in sales mix that an effective 7½ per cent crease over the year. Sears pean shoe operations were £10m short of their 1985 as well that the US had a bet ond half, and seems to be ering its form.

The shares have had a ally rough time in the last shakeout, losing almost their peak value. At 118p pear to be priced rather dingly against the stores a multiple of only 13 times est earnings. But tied, inves the retail sector are apt to ance at Sears' remaining assets. And while London of US tourists, nobody is get terribly excited about prospects unless the weather a decided turn for the better.

Hawley/Pritchard

If ever a company looked ri some opportunist to come in bid, Pritchard Services must. The share price had been for a long while, until last series of mishaps in its own tion strategy left the balance looking a little shaky. With write-offs threatening, and banks insisting on some over the company's dividend it was surely a matter of tim fore somebody pounced.

Hawley's offer is not just timed, but it has the merit of cash on the table when Pritch going to have difficulty putting thing on the table at all, desp strong cash flow and the prosp a profits turnround this yea Pritchard were to sell off a few lying businesses, it would prob have the bankers off its back the bargain.

Yet the chances are that Ha will derive most of the benefit this recovery situation. It can ably take on Pritchard at the rent terms without material di ution in net worth, will hope to ter the profits in Bermuda and look to cut out a fair amount of plicated overhead in the clear business. Hawley's 118p may no a knock-out, but it is the mark current valuation of a Pritch share – and 33p higher than price on Monday.

Brussels seeks to ease flow of capital

By Paul Cheeseright in Brussels

LINGERING exchange controls in France and Italy, and more pervasive restrictions in Ireland, will come under attack next month when the European Commission presents proposals to the 12 countries of the European Community for liberalising capital movements.

In Basle yesterday, Mr Jacques Delors, President of the European Commission, outlined to central bank governors meeting at the Bank for International Settlements the Commission's plans for capital liberalisation.

The Commission sees such moves as not only essential to bring about a Community without internal trade barriers by 1992 but also as an inducement to West Germany to withdraw its reservations about strengthening the European Monetary System.

Any major move to liberalise capital movements would be the first since 1962. Then foreign exchange transactions were split broadly into four categories. The first two dealing with the movement of funds linked to trade and individual changes in residence became free. But the next two categories, dealing with share placements from one country to another, short-term corporate investment and individual investments across borders remained subject to national regulations.

It is these last two categories that will be subject to the new Commission liberalisation proposals. They are not likely much to affect the UK, West Germany, Denmark and the Netherlands where there are no exchange controls in practice and would have only a limited impact on Belgium.

France and Italy, however, are engaged in a slow movement to free capital controls. Ireland has extensive restrictions because of its balance of payments problems.

These three countries in 1984 were granted by the Commission temporary authorisation to tighten exchange controls for balance of payments reasons. But the safeguards are not being fully used, and the Commission is likely to review the 1984 decisions next month with a view to withdrawing the authorisations.

Its legislative proposals will contain an escape clause, it is expected, and this could have immediate application to Ireland.

Burmah Oil joins rights-issue rush with £86m cash call

BY LUCY KELLAWAY IN LONDON

BURMAH OIL yesterday became the latest in a succession of British companies to announce a major rights issue when it called on its shareholders for £86m ($133m) to finance future acquisitions.

During the last six weeks, UK companies have raised more than £1bn through rights issues, of which the largest have been a £406m call from advertising agency Saatchi & Saatchi, £375m from insurance and investment group Prudential and £72m from retailer Harris Queensway.

Burmah's call has heightened concern about the London stock market's ability to withstand a further flood of issues. Some analysts fear that one more large issue would bring about a repeat of last year's performance, when a £519m rights call from the Hanson Trust industrial holding group sparked off a sharp fall in the market.

However, yesterday's announcement did little to unnerve a strong market, which closed with the FT Ordinary 10.7 points higher at 1,341.2.

Burmah has no immediate plans for the money, but expects to use it to expand its Castrol motor oil and special chemicals divisions in part by internal investment, but mainly by acquisition. The company said yesterday that it was considering several possibilities.

Its plans form part of a general strategy that is taking Burmah out of unprofitable areas, into more specialised growth markets. Last month the company said that it was withdrawing from North Sea exploration by cutting its budget by 50 per cent, and announced the sale of its lossmaking oil terminal in the Bahamas.

The company says that trading in the first three months of the year has been in line with its expectations, and that the dividend for the year will be at least maintained.

However, Burmah is faced with "major uncertainty" over the fall in the oil price.

Mannesmann to cut 6,500 jobs

BY PETER BRUCE IN BONN

MANNESMANN, West Germany's biggest producer of steel pipes and tubes and one of the country's leading engineering groups, said yesterday that it would cut 6,500 jobs at its tubes division to stem heavy losses.

Mannesmannröhren-Werke turnover last year, at DM 4.8bn ($2.2bn), makes the division still the biggest in the group despite attempts to diversify away from steel. The company said yesterday, however, that it was expecting a significant drop in turnover this year in the division.

The tubes business employs about 25,000 people. The biggest job cuts will include 1,600 at Duisburg, 2,500 at Düsseldorf, the group's headquarters, and 1,600 at Mülheim. Mannesmann said the job cuts, which were not unexpected, were intended to cut costs by DM 500m a year. It would not be cutting its product range, the group said.

Mannesmann, blaming worldwide overcapacity in steel tube-making, subsidies to competitors in the EEC, protectionism in the US, a major market, and the collapse in oil prices, hinted strongly that the move was part of an effort to remain in the steel tubes business

In 1984 and again last year, Mannesmann showed great resilience after a sharp drop in profitability in 1983. But the results in both the last two years have been achieved despite, rather than because of, the steel tubes business, which lost DM 218m in 1984 and only managed to break even last year.

The group has just increased its dividend from DM 4 to DM 6 a share for last year, after announcing a 40 per cent increase in net operating profits to DM 180m.

$ recovers sharply

Continued from Page 1

weakening of the dollar would deter foreign investors.

At the same time, Wall Street economists have begun to caution that the dollar's collapse, coupled with the recent pronounced upturn in oil and commodity prices, could reignite investors' inflationary fears.

Partly as a result, the old treasury long-bond price, which peaked on April 16, has fallen by almost 7 full points

In Europe, meanwhile, the Norwegian krone remained strong after its devaluation last weekend, but Finland's markka suffered from speculation that it, too, would be devalued. The Bank of Finland yesterday raised its interest rates by 1.8 per cent in a bid to dampen this speculation.

Bhopal ruling given qualified welcome

BY TERRY DODSWORTH IN NEW YORK

US LAWYERS involved in litigation over the Bhopal toxic gas disaster in India praised the US courts yesterday for the stiff conditions attached to the decision to have the case tried in India rather than the US.

The lawyers said, however, they still believed that the victims would receive swifter justice and larger claims awards in the US courts.

"The conditions show a humane quality about the court in the sense that Union Carbide will not be given the opportunity to jockey around any more on technical issues," said Mr Aaron Broder, one of the attorneys representing victims injured in the disaster.

Mr Broder added that even if Union Carbide accepted the conditions, the private litigants would appeal against the decision in an attempt to have the case heard in the US. If the case went against them, the US lawyers were unlikely to play any further role in the litigation, other than helping Indian officials with information.

Union Carbide and its lawyers were examining the court ruling yesterday before deciding whether to accept the conditions imposed by Judge John Keenan, in the pre-trial hearings in US district court in Manhattan. These require that the company should submit to the jurisdiction of the Indian courts, make good any judgment rendered by the Indian courts and abide by the pre-trial procedures for exchanging information that would govern a case in the US courts.

Lawyers for the plaintiffs say that these requirements clearly place the whole of Union Carbide's assets at risk and not just its interests in India, which are valued at about $75m.

In addition, lawyers say that the insistence on allowing the use of US pre-trial procedures should mean that Indian attorneys will be able to call for documents and take depositions in the customary US manner. Indian courts make much greater use of oral interrogatory methods than the US trial system, where the system of taking elaborate depositions from witnesses under oath turns up enormous amounts of information at an early stage.

In the Bhopal case, these type of procedures could be important because the plaintiffs are likely to want to establish the degree of responsibility of the parent company in the US for the problems in its Indian subsidiary.

"It would have been difficult to undertake discovery in the US through the dictates of the Indian courts," Mr Broder said yesterday. "Judge Keenan has cut through all that."

Attorneys for the Indian Government meanwhile, welcomed Judge Keenan's decision.

The difference between the two sets of plaintiff lawyers underscores the widening rift between the Indian court proceedings and the approach of private Indian litigants.

Earlier this year Union Carbide reached agreement on a $350m payment to Indian victims in a deal negotiated with Mr Broder's firm and a group of Cincinnati lawyers. This out-of-court compromise, however, was scuppered by the Indian Government, which was demanding a settlement of $615m.

India sees advantages, Page 4

Bell raises BHP bid

Continued from Page 1

As well as raising the price, Bell has lifted its acceptance ceiling from 259m shares to 400m shares.

The increased pressure from Bell heightens the prospect of BHP bidding for Bell Resources – in which BHP recently snapped up 18 per cent in a market raid. Corporate friends of BHP were meanwhile thought likely to move heavily into the stock market today in order to remove further shares from possible acceptance as part of efforts to freeze out Bell.

However, as Bell has now also dropped its minimum acceptance condition of 230m shares, the freeze approach may prove of little immediate effect. Bell could merely use the offer to build an even more sizeable beach-head for future efforts at gaining control, should it fail as its main aim this time.

Bonn defends beer law

Continued from Page 1

that France, Italy and the Netherlands allowed only two or three additives in their beers. However Belgium permitted 10, Denmark 19 and Britain and Ireland each allowed up to 28 different substances to be added.

Of the 26 extra additives Germany would be expected to permit in its beer market, 21 were not permitted in a majority of EEC member states for their own domestic beer production.

The German argument is based on the provision of the Treaty of Rome that public health requirements may permit exceptions to the rules ensuring a genuine common market.

World Weather

Readings at mid-day yesterday: C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

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SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Wednesday May 14 1986

WEST GERMAN ARMS GROUP WARNS OF 'EFFORT' NEEDED TO BREAK EVEN

Krauss-Maffei tank orders fail

BY PETER BRUCE IN BONN

KRAUSS MAFFEI, West Germany's premier battle tank producer, has warned that a complete collapse in tank orders will force the group to rely solely on its civil businesses for profits in 1987 and 1988.

The company, based near Munich, spoke of a "dramatic collapse to zero" in tank orders until the beginning of the next decade and said that "only with the greatest effort" would it break even this year.

Mr Burghard Wollschläger, Krauss Maffei's chief executive, said the group had broken even last year, after a small DM 4m ($1.8m) net profit in 1984. Group turnover had fallen 31.2 per cent last year to DM 1.28bn and in the first three months of 1986 had fallen a further 25.9 per cent to DM 363m.

He said headquarters staff would have to be cut, and that other savings would have to be made. He expected turnover this year to fall to around DM 1bn. Krauss Maffei delivers its last Leopard 2 tank to the West German military in March next year and it is generally thought that the Defence Ministry will order an updated version of the tank in the 1990s rather than pursue a troubled joint venture for a new tank with the French.

Krauss Maffei's difficulty is that its civil operations are also vulnerable to heavy competition or to the whims of monopoly customers. For the latter reason, the group's transport division, which makes locomotives, accounted for a large part of the drop in turnover in 1985. Its two brightest civil prospects for the next few years are plastic injection moulding machinery and process technology.

But even in its growing injection moulding business competition is very heavy. The group is dwarfed by the world's major manufacturers and a number of West German engineering groups, including Klöckner-Werke, the steel producer, and Battenfeld, part of GHH, makes sales difficult even in the home market.

Krauss Maffei was bought from the former Flick group last year by a Bavarian consortium thought (it has never been made clear) to be managed by the aerospace group, Messerschmitt-Bölkow-Blohm (MBB). Krauss Maffei management opposed the sale and it seems clear that on top of problems in its markets, relations between it and MBB remain strained. Mr Wollschläger described the prospects for "synergy" between the two groups as "very limited" and said it was likely that efforts were being made to find a new large shareholder. He was probably referring to continuing efforts by the Bavarian premier, Mr Franz Josef Strauss to find a new owner for MBB.

Nedlloyd profits 'could fall by half'

By Andrew Fisher in London

NEDLLOYD, the Dutch shipping, transport and energy group, could see profits drop this year to about half the level of 1985, Mr Jakobus Groenendijk, the chairman, said yesterday.

Nedlloyd also intended to reduce its deep-sea shipping activities to less than half its total assets, he said in London. Last year, spending on ocean shipping fell, while investment in non-shipping transport and energy operations rose sharply.

Net profits of Nedlloyd fell in 1985 to Fl 143m ($56.4m) from Fl 155.4m. The shipping, transport and energy divisions produced lower operating profits. The group is maintaining its dividend of Fl 14 a share.

Even with a halved profit as a result of the continuing shipping crisis and lower energy prices, said Mr Goenendijk, cash flow would still be about Fl 500m a year.

Investment in ocean shipping – mainly containerised liner, bulk cargo, tanker and heavy lift vessels – dropped last year to Fl 228m from Fl 279m, while that in non-shipping transport rose to Fl 258m from Fl 148m.

US stores groups lift first quarter earnings

BY PAUL TAYLOR IN NEW YORK

J. C. PENNEY and The Limited, two major US retail groups, yesterday posted sharply higher first quarter earnings helped by continued strong sales.

New York-based Penney, the third largest general retailer in the US, said its fiscal first quarter net earnings from operations jumped by 73.1 per cent to $87m or a record $1.16 a share compared to $50m or 67 cents a share in the year-ago period. Sales grew by 7.5 per cent to $3.05bn from $2.8bn.

In the latest quarter, a previously announced $24m extraordinary charge – related to the group's early retirement of $364m in high interest rate debt securities – resulted in final net earnings of $63m or 84 cents a share.

Mr William Howell, Penney's chairman, said the strong first quarter earnings reflected "outstanding" results from both the group's stores and mail-order catalogue business. He added that gross margins improved substantially because of strong sales and lower markdowns.

Mr Howell said Penney would continue to focus on inventory and expense controls and added: "In this economic environment we are optimistic about our results for the remainder of the year."

The Limited, the fast growing Columbus, Ohio-based women's wear speciality store group, also reported record sales, net earnings and earnings per share in the first quarter. The group reported a 47 per cent increase in first quarter net earnings, which grew to $31.4m or 28 cents a share from $21.35m or 18 cents a share a year earlier, after adjusting the year-ago figures for a stock split. Sales increased by 43 per cent to $661.6m from $461.1m a year ago.

Mr Leslie Wexner, chairman, said: "Our record first quarter results clearly ran counter to the generally weak retail sales that characterised the February, March and April period. We think this good performance resulted from our focus on the customer, giving her fashion and value, and our ability to execute the details with skill in all aspects of our business."

● Zayre, a leading operator of discount department stores mainly situated in the eastern states, lifted net profits in the first quarter to $16.7m, or 56 cents a share, on sales of $[illegible]. This compares with net profits of $15.2m, or 53 cents a share, in first-quarter of 1985, when sales were $[illegible].

Zayre expects its expanding discount and speciality store chains to show increased revenues for the current financial year, which ends on January 31 1987.

Boost for Hessische Landesbank

By Our Financial Staff

HESSISCHE Landesbank (Helaba), the big West German bank, reports improved profits for 1985 and plans to pay a maintained 5 per cent dividend.

Operating profits moved up from DM 330m to DM 360m ($165.9m), and net profits increased to DM 59m from DM 51.6m in 1984. Credit volume was little changed at DM 53m, and businesses volume also held steady at DM 70.7m.

Profits on ordinary business fell, but this was more than compensated for by strong profits on own account trading, said Mr Herbert Kazmierzak, management board chairman.

Partial operating profits fell to DM 278m from DM 294m. In 1983 they totalled DM 340m. The decline in partial operating profits was due to higher costs linked to investment, Mr Kazmierzak said.

Profits on credit business rose to DM 568m from DM 563m and on commission to DM 65m from DM 62m. But ordinary spending rose to DM 355m from DM 311m.

Helaba resumed dividends two years ago after an 11-year gap. It ran into difficulties in the 1970s over property and investment losses, leading to a DM 2bn rescue by savings banks and the state of Hesse in 1976.

● Landesbank Rheinland Pfalz Girozentrale had to make 1985 provisions of substantially more than DM 150m against the troubled West German leasing company, Deutsche Anlagen Leasing. The bank said DAL's losses dominated results last year, but no provisions against DAL are expected this year.

Texaco warns low oil prices will reduce 1986 earnings

BY OUR FINANCIAL STAFF

TEXACO, the third largest US oil group, is unlikely to match its first quarter earnings in succeeding quarters of this year because of falls in oil production revenues, Mr John McKinley, chairman, warned at the annual meeting.

"The earnings performance in the first quarter may not be achieved until crude oil prices recover to more reasonable levels," he told shareholders.

"If crude prices remain at the low levels they reached at the end of March, the strong downstream improvements will probably not offset the decline in the producing area."

In 1985, Texaco earned a total of $1.23bn, or $5.11 per share, up from a depressed $306m or $1.03 the year before.

Texaco has not announced company-wide layoffs like other major oil companies, but last month it began re-evaluating administrative and overhead costs which may result in some redundancies, Mr McKinley said.

On the important subject of litigation, the chairman said the group "has been making every reasonable effort" to reach a settlement with Pennzoil to end the legal dispute over Texaco's $10.2bn 1984 acquisition of Getty Oil.

"If a reasonable settlement cannot be reached, Texaco will continue to press forward vigorously in the courts for the overturn of a patently unjust decision and outrageous monetary award," Mr McKinley told shareholders.

Texaco has appealed against a Texas court decision awarding $11.1bn to Pennzoil, which had also attempted to acquire Getty Oil.

Any damages awarded to Pennzoil should have been the difference between the price Pennzoil would have paid under its alleged contract and the market value of the Getty shares it would have acquired – no more than $466m, he said.

Amro buys into German co-op

AMSTERDAM-ROTTERDAM Bank, one of the biggest banks in the Netherlands, is taking the unusual step of taking a small stake in a fast-growing West German retail co-operative.

Amro is participating in a DM 73.5m ($33.8m) rights issue by the retail chain, called Co-op. The bank is to take up 7.3 per cent of the company in a move aimed at an eventual bourse listing for the co-operative.

Co-op, which had sales last year of DM 10.3bn, is best known for its grocery business.

Home Group recovers to profits of $64m

BY OUR FINANCIAL STAFF

HOME GROUP, the US financial services company whose largest interest is Home Insurance, has announced a $1.60 a share profit for the first quarter against a loss of $4.64 a share for the comparable period of 1985.

Total net profits during the quarter came to $64m compared to a loss of $179m, on revenues that rose to $518m from $466m. The company pointed out that the 1986 results include a $23m (59 cents a share) gain for tax losses carried forward. The previous year's results included a $3m (9 cents a share) gain taken for discontinued operations.

Home Group, with assets of around $5bn, was spun off by City Investing, an investment and financial services group, last September, and has since been listed on the American Stock Exchange.

Mr Marshall Manley, its new president, has sought since the spin-off to rebuild the company's financial health and reputation. The life, health and accident subsidiaries were sold off by City Investing last year, providing $130m to cash and $75m to surplus, while a further $272m was added to surplus from the proceeds of an issue of cumulative preferred stock.

Under its new management, Home Group has sought to build on this foundation to trim its property/casualty interests. Mr Manly made clear to London financial analysts last year that Home Insurance would prefer to turn new business down rather than accept it on a basis that it believed to be unprofitable.

Baer Holding ahead for year

By William Dullforce in Geneva

BAER HOLDING, the parent company of the Julius Baer banking group of Zurich, yesterday reported a 19 per cent increase in net earnings to SFr 15.5m ($8.6m) for the year ended March 31.

The board proposes to raise the shareholders' dividend from SFr 140 to SFr 150 per bearer share and to issue participation certificates for the first time.

The initial tranche of 91,000 participation certificates will be a rights issue at a price of SFr 280 a certificate. Current shareholders will be entitled to one certificate of SFr 20 nominal value for each bearer share of SFr 500 nominal value held.

The board also wants to issue a further 350,000 participation certificates of SFr 20 nominal value without shareholders' rights.

Barclays to establish jointly owned Tokyo securities firm

BY YOKO SHIBATA IN TOKYO

BARCLAYS BANK of the UK aims to establish an integrated securities operation in Tokyo which, in accordance with Japanese requirements, it would own equally with another British company.

Mr Derek Pelly, chairman of Barclays International, said in Tokyo yesterday that the first step would be to combine the existing representative offices of De Zoete & Bevan and Barclays Merchant Bank. This would form the Japanese presence of BZW, the grouping being created out of those two constituents and stockjobber Wedd Durlacher.

"In the medium term we hope to establish a securities branch in Japan," Mr Pelly told a press conference. "Bank officials have already had several discussions with the Ministry of Finance on this subject."

In order to obtain a securities licence for an operation which combines banking and broking – traditionally separate activities in Japan – Mr Pelly said Barclays would have to follow the precedent set earlier this year by Deutsche Bank.

The chief requirement would be to hive off half the equity in the venture, probably to non-financial institutions. The West German bank, for example, brought in Siemens and Bayer, while Swiss Bank Corporation has recruited Ciba-Geigy.

Mr Pelly declined to identify Barclays' planned partner, which he described only as an "appropriate" UK company. It would be named by October when BZW becomes operational in London, he added. At that stage the new entity would apply to the MoF for a securities branch licence.

He also confirmed Barclays' plans to seek a listing for the bank on the Toyko Stock Exchange this summer. This would be the first listing of Barclays shares outside the UK.

Barclays, which has had a commercial banking branch in Japan since 1972, last week opened a wholly owned trust banking subsidiary in Tokyo which will seek to attract fund management business. It is one of nine foreign entrants to this sector.

The bank also aims to be an early participant in Europen bond issues, which will be open to foreign banks from next month.

Boliden cuts holding in utility

By Our Financial Staff

BOLIDEN, the Swedish mining and metals group which has been hit by lower profits, reported a major asset disposal.

The company has reduced its shareholding in Sydkraft, a utility based in southern Sweden from 28 per cent to around 16 per cent. The disposal has brought in some SKr 506m ($71.2m).

The deal is the latest in a series of turbulent announcements from Boliden, which has seen a large parcel of its own equity change hands at a time when the company is itself mounting a major takeover.

In January Boliden reported plans to bid SKr 980m for the two-thirds of outstanding capital in an associate, Ahlsell. Three months later, Trelleborg, the Swedish rubber products group, acquired 40 per cent of Boliden.

Earlier this week, Boliden reported a steep drop in profits for the first quarter of 1986. Profits before tax and excluding Ahlsell, tumbled to SKr 47m from SKr 114m in the comparable quarter of 1985.

The performance follows poor trading in 1985 when profits before tax fell to SKr 212m from SKr 382m as a result of the collapse in metal prices and unrest caused by the crisis in the tin market.

It is hoped that the acquisition of Ahlsell, a trading and industrial company, will broaden the group's trading base.

Anglo American Coal raises profits 46%

BY KENNETH MARSTON, MINING EDITOR, IN LONDON

ANGLO American Coal (Amcoal) of South Africa has boosted pre-tax profits for the year to March 31 by 46 per cent to a record R491.1m ($149m) – fulfilling the promise shown at mid-year.

Net profits of the Anglo American group's coal producer come out at R203.4m, or 852 cents per share, against R155.2m last time. The final dividend is raised to 160 cents, making a total for the year of 240 cents compared with 195 cents for 1984-85.

Major factors in the good performance include increased domestic sales of coal for electric power generation; the favourable rand-dollar exchange rate, which has lifted rand proceeds from coal exports; and higher interest income.

● Vereeniging Refractories (Verref), the South African refractories and building products manufacturer 67 per cent owned by Anglo American Coal, barely increased its turnover in the year to March 31 and suffered a sharp fall in profit, adds Jim Jones in Johannesburg.

The pre-tax surplus dropped to R12.7m from R20.3m, on sales of R143.7m against R143.1m.

The building products division's sales and profits were sharply lower as economic recession pushed building activity into decline. Volume sales were lower and margins narrowed. Exports of refractories used by steelmakers were helped by the rand's sharp fall against other currencies.

Earnings dropped to 139.2 cents a share from 188.7 cents and the total dividend has been maintained unchanged at 62 cents.

Hafslund warns of downturn

By Fay Gjester in Oslo

HAFSLUND, the Norwegian group involved in ferroalloys, hydro-power, engineering and – since its acquisition of Actinor – pharmaceuticals, reports a sharp drop in profits for the first quarter of this year.

It forecasts a profit for the whole year, before extraordinary items, of just under NKr 150m ($21.5m) – well below last year's total of NKr 288.4m after deduction of minority interests amounting to NKr 11.5m.

Group profits before extraordinary items in the first quarter of this year totalled NKr 20m on turnover of NKr 622m. This compares with a profit of NKr 61m in the first quarter of last year, before Actinor was included in the accounts.

The decline is attributed mainly to higher financial costs and poorer results in the investment and metals divisions. Earnings by the hydro-power division were also down, reflecting lower output.

Northgate Exploration set to break even

CANADA'S gold and copper-producing Northgate Exploration expects to see approximately "break-even" financial results this year in the light of current metal prices and production levels.

Mr John Kearney, executive vice-president, said that some writing-down of the 76 per cent-owned Canadian Pioneer Oils might be necessary in view of lower oil prices.

Northgate earned C$220,000 (US$159,362), or 2 cents per share, in the first quarter of this year after taking into account a net gain of C$2.1m on the sale of the holding in Tara Exploration and a C$1.5m currency exchange loss. Net income of C$417,000 in the fourth quarter of 1985 reduced the company's loss for the full year to C$2.17m.

The company's debt burden has now been reduced to US$24m, less than half the level of a year ago. Mr Kearney said that the improved balance sheet had allowed Northgate to enter an "acquisition mode" and it was interested in buying precious and base metal properties in North America.

● Campbell Red Lake Mines, the major Canadian gold producer controlled by Dome Mines, earned C$6.68m, or 14 cents per share, in the 1986 first quarter compared with C$5.25m a year ago. Gold production, helped by the acquisition of Kiena Gold Mines, rose in the latest quarter to 87,082 oz against 62,658 oz. Campbell mine milling capacity is to be increased by about 5 per cent via a C$11.8m programme due to be completed in the second half of 1987.

Loews steps up CBS holding

By Paul Taylor in New York

LOEWS, the US hotel group, has increased its stake in CBS, the television network and entertainment group, to 17 per cent, Mr Laurence Tisch, Loews' chairman told shareholders at the group's annual meeting yesterday.

Loews has steadily increased its stake, taking an initial 11.9 per cent in January at the invitation of CBS's management, in its efforts to fend off hostile takeover bids.

United Brands edges ahead

By Our Financial Staff

UNITED BRANDS, the US food group, showed a net operating profit of $12.9m or 80 cents a share, for the three months to March 31, compared with $9.64m or 70 cents. Because of a recent change of year-end, this period has become the New York-based company's first quarter for 1986.

The comparative period figures excluded an extraordinary gain of $2.07m from retirement of debt which made the total net $11.71m, or 86 cents a share.

Sales for the latest three months were down at $770m from $797.1m.

The group is primarily engaged in the marketing of bananas.

INTL. COMPANIES

Schering confident despite sales fall

BY LESLIE COLITT IN BERLIN

SCHERING, the West German pharmaceuticals and chemicals group, had record sales and profits last year and is confident of continued "satisfactory" earnings this year, despite a fall in sales in the first quarter.

Group sales for the West Berlin-based company rose 7 per cent last year to DM 5.1bn ($2.3bn). Net profits were up 17 per cent to DM 173m for the group and rose 23 per cent to DM 112m for the parent company.

Schering sales outside West Germany remained at their high 82 per cent of total turnover. The company's largest division, pharmaceuticals, boosted sales 11 per cent to DM 2.1bn. Agrochemicals rose 4 per cent to DM 1.4bn while industrial chemicals remained at DM 293m.

Electroplating, mainly for the electronics industry, increased sales 13 per cent to DM 332m. Schering last year decided to hive off its lossmaking division for fine chemicals, despite a 6 per cent sales rise to DM 303m. Talks are in progress with other companies on a direct sale or co-operation arrangements to be concluded by the summer.

Holding a 40 per cent worldwide share of the oral contraceptives market, Schering introduced two birth-control pills in the US earlier this year. It hopes to carve out a small but lucrative share of the $700m annual market for the "pill"

Dr Klaus Pohle, member of the board, said an 8 per cent drop in sales in the first quarter of this year was largely the result of exchange-rate factors stemming from the fall in the value of the dollar and the pound from their high levels in the same period of 1984.

The fall in sales, however, was not accompanied by a corresponding drop in earnings.

Edelman loses Fruehauf proxy fight

MR ASHER EDELMAN, the New York financier, has been soundly defeated in his proxy battle to win control of Fruehauf, the Detroit manufacturer of truck trailers and automotive equipment, our New York staff writes.

Fruehauf said that the management's slate of directors had received 13.4m votes, or 86.3 per cent of the shares voted for the directors. Mr Edelman, who holds just under 9 per cent of Fruehauf, received 2.13m votes.

Mr Robert Rowan, Fruehauf's chief executive, said that "the board and management has been given a resounding mandate from its shareholders to continue to operate Fruehauf in a manner that continues to enhance the value of their investment." On Wall Street yesterday Fruehauf's shares closed $¼ down at $48⅞.

Last month Fruehauf rejected a $41 a share offer from Mr Edelman prompting him to try to win control by getting his own board elected.

● Marriott, the US hotels and food group, said the offer it made to acquire Saga, the restaurant concern, for $435m, or $34 a share, was not accepted before the expiry time. Marriott said it was considering alternatives.

INTL. COMPANIES & FINANCE

Sumitomo braces itself for change

BY CARLA RAPOPORT IN TOKYO

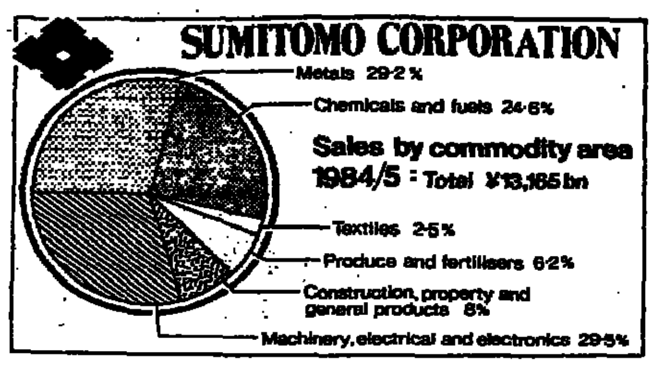
TOGETHER, THEY handle 60 per cent of Japan's trade with the rest of the world. Their combined sales would outstrip the gross national product of a small Latin American country. But their future looks very bleak.

Japan's major trading houses, with names such as Mitsui, C. Itoh, and Nissho Iwai, act as intermediaries in Japan's export and import businesses, handling everything from instant noodles to optical fibre. Among the largest of these trading houses is Sumitomo Corporation, which last year held the distinction of being the most profitable of the leading 13 trading houses. It earned its top ranking, though with a net profit margin of just 0.25 per cent.

The trading companies high-volume, low-margin business of playing middle-man has been a tradition in Japan for at least 400 years. In the next five years, according to Sumitomo, it will change for good.

"Our profit from trading will fall below our costs in three to five years, maybe 10 at the most. If we stay as simply the go-between, I personally feel sure this will happen. This is not only our recognition but the recognition of all traders," says Mr Toshihiko Morita, director of corporate planning at Sumitomo.

The reason for this gloomy scenario is apparent to anyone who has looked at the yen-dollar exchange rate recently. The Japanese currency has climbed from about Y240 to reach Y160 against the dollar during the last year. As a result, Japan's exports are slowing, with major electronics and car makers scrambling to increase their production outside Japan. Fewer exports mean less business for the trading houses.



According to Mr Morita, 90 per cent of the trading companies' sales are based on direct trade with Japan. This excessive dependence on domestic companies will be a liability as Japan slowly shifts from an export-led economy to one with more balance. "We have to make our business plans now on a multinational basis," he says, in order to avoid the harmful effects of being caught in the yen squeeze.

This means that Sumitomo's London office, for example, will soon be developing deals with Middle Eastern companies without direct input from Tokyo, he says. "There will be more business between London and New York and more exports from south-east Asia to the US and Europe by Sumitomo companies."

Bilateral business, based on Japan, will be a thing of the past for the successful trading companies. "Our business function used to be a purchase from manufacturer to simple sale to our customer. Now, we must spend much more effort on marketing to enable manufacturers to improve their products and widen their markets. We have to change from a simple go-between to the intellectual function, backed by marketing and merchandising."

Equally, Sumitomo is putting increasing weight on capital investments in new business fields. Recently it joined hands with two other trading houses to plan the start-up of a new international communications company. Last year, it helped to found Sumitoronics, in Sunnyvale California, an electronics and telecommunications equipment marketing company.

A string of other ventures since then include a $75m investment in a copper mine in Arizona and the establishment of a science park in Singapore.

"Priority is not in my dictionary," said Mr Tadashi Ito, president of Sumitomo, in a recent interview. "Every business chance, however, minuscule it may be, is important in today's business environment."

State blocks San Miguel move

BY SAMUEL SENOREN IN MANILA

THE Philippine Securities and Exchange Commission yesterday barred San Miguel Corporation from electing its board at the annual meeting until issues are resolved about the sale of its brewery in Hong Kong to Anheuser Busch of the US, and the repurchase of a strategic stake in the company from a local investment fund.

A special commission tracking down the wealth of former President Ferdinand Marcos and his close business associates had asked the SEC to issue the order after its own attempt to call off the shareholders' meeting was ignored by the company.

The commission—which had sequestered 18m shares of San Miguel owned by Mr Eduardo Cojuangco, a known Marcos associate—feared that the proceeds of the sale of the brewery in Hong Kong would "leak" to Mr Cojuangco, who is also a member of the Coconut Industry Investment Fund which owned the 33.1m shares in San Miguel.

The Soriano group which now manages San Miguel had agreed to pay the Coconut Fund $165m for the shares, drawn mainly from the proceeds from the sale of the Hong Kong brewery amounting to about $150m.

The Commission also wanted to know if Mr Andres Soriano, the San Miguel chairman, would vote the shares, which were bought by Neptunia, a San Miguel subsidiary.

Mr Soriano indicated yesterday that the shares in question would become part or treasury stock, and said the move to sell its Hong Kong operations was to prevent the stake from falling into unfriendly hands.

TNT seeks to raise A$129m via placing

By Our Financial Staff

TNT, the Australian transport group, is to raise about A$129.6m (US$96.8m) through a private placement of shares intended to fund working capital and develop worldwide operations.

The 36m shares—representing about 11.4 per cent of expanded capital—will be priced at A$3.60 each, the company said in a stock exchange statement. This compares with a closing market price in Sydney yesterday of A$3.50, down 24 cents.

Subscriptions to the issue on June 5 can pay in full, or in two equal tranches, with the final call on December 4. Brokers are Ord Minett and Potter Partners.

The company, known formerly as Thomas Nationwide Transport, last Friday reported a 45 per cent boost in nine-month net profits to A$68.24m.

It has the UK distribution contract for Mr Rupert Murdoch's newspapers, and as well as freight, courier and shipping services, it holds nearly half of the Ansett domestic airline.

Citizen Watch profits decline 23%

BY YOKO SHIBATA IN TOKYO

CITIZEN WATCH, the diversifying Japanese watchmaker, showed a dip in parent company pre-tax profits of 13.7 per cent to Y10.44bn ($64.82m) in the year to March, marking the first earnings fall in three years.

However, it is maintaining its annual dividend at Y7.50. Net profits were down 23.2 per cent to Y4.2bn, on sales of Y154.14bn, up 4.3 per cent.

Volume sales expansion of 28 per cent was achieved in the wristwatch division which is still Citizen's main line of business. But in value terms, watch sales gained only 1 per cent to Y105bn, caused by a softened market price following the incursion of cheap products.

Sales of machine tools also slumped, reflecting reduced investment by electronics companies. But sales of office equipment such as printers fared well, due to a recovery in US demand, and brisk sales of new products like small liquid crystal television sets, floppy disc drives and videotapes.

The yen's appreciation against the dollar did not make much impact on earnings, as 90 per cent of its wristwatch exports were denominated in yen.

Citizen projects overall sales for the year at Y163bn, an increase of 5.8 per cent. Pretax profits are expected to fall another 13.8 per cent to Y9bn, however.

Portugal reopens Bulldog sector

BY CLARE PEARSON

S. G. WARBURG, with Lloyds Merchant Bank as co-lead manager, announced a £50m 30-year Bulldog bond for the Republic of Portugal yesterday. This marks the reopening of the Bulldog market after the announcement on April 29 that ½ per cent stamp duty on trading in this class of bond would not be included in the 1986 Finance Bill, as had been threatened in the Budget speech.

The bond will be distributed by a direct placement with UK institutions in contrast to the offer for sale route usual for sovereign issues. This anticipates dual-capacity trading in Bulldogs, expected to start in July, after which cosmetic offers for sale will no longer be useful to reduce trading commissions by giving an issue gilt-edged status. Warburg said the placing method had been chosen to ensure orderly distribution.

The bond is in registered form with a bearer option and is 30 per cent partly payable. It will be priced this afternoon to give a gross redemption yield of 140 basis points over the 13½ per cent Treasury stock 2004-08, the benchmark gilt-edged stock for long-dated sterling bonds. At an indicated issue price of 85 per cent, this suggested a coupon of 9 per cent yesterday afternoon.

Warburg said the placing of the bond had proceeded smoothly. Presentations to institutions were given in London by senior Bank of Portugal officials recently.

Yesterday morning prices of recent dollar Eurobonds tumbled as the dollar fell on the foreign exchanges and US Treasury bonds sustained further falls. Nevertheless, two new fixed-rate bonds were launched. The first was a $55m, 10-year deal for International Finance Corporation, which launched an Ecu bond on Monday. Yamaichi International (Europe), the sole manager, said the 8½ per cent bond had been placed with a small number of institutions.

Banque Paribas launched a $100m 10-year bond for Ansett Transport Industries, the Australian domestic airline. The 8¾ per cent bond is secured on some Boeing 737-300 aircraft which will be purchased with its proceeds.

Unusually for a Japanese equity warrants bond, the coupon on Sumitomo Special Metals' recent $80m bond was fixed yesterday at the indicated level of 2½ per cent.

The French franc market has seen strong demand recently as it has not suffered from oversupply, issues have been reasonably priced, and investors have been keen to buy at current levels in the expectation that French interest rates will come down. Thus Banque Paribas' FFr 700m, 10-year bond for Japan Air Lines, which carries a 7¾ per cent coupon, met an enthusiastic reception yesterday. It traded at a discount to 100¾ issue within the 1¾ per cent selling concession.

The D-Mark sector suffered heavy price falls yesterday, with prices on some bonds falling by 1¾ points on the day. Dealers say the market is depressed at present as there is no hope of falls in West German interest rates soon, while a heavy volume of new paper is expected to be launched in the course of the month.

In this environment dealers feared that even a new issue for Daimler-Benz, its first Euromarket borrowing, would not be well received. Deutsche Bank led the DM 500m, 15-year deal which was priced at par with a 5¾ per cent coupon. Deutsche Bank said it was trading just within the 2½ per cent fees yesterday afternoon.

CSFB-Effectenbank launched a DM 200m bond for General Motors which matures in ten years' time and carries a coupon of 5¾ per cent. The non-callable bond was quoted at discounts to issue price inside the fees.

The Swiss franc sector traded quietly, and prices were marked down by about ½ point. A recent SFr 150m perpetual bond for Austrian Airlines, with a coupon of 5¾ per cent and priced at par, traded for the first time at 97¾.

Chilean programme reduces foreign debt

BY MARY HELEN SPOONER IN SANTIAGO

A PROGRAMME by Chile's central bank to encourage domestic investors to purchase the country's foreign debt notes on the international market has resulted in the retirement of a small, though significant, portion of Chile's $20bn of foreign debt. The programme, which allows debt securities purchased abroad to be exchanged at full face value for Chilean pesos, resulted in the purchase of $230m in debts between July and December of last year, and could reduce Chile's foreign debt by as much as 5 per cent a year.

The programme works like this:

Suppose a Chilean debtor owes $100,000 to a foreign bank. The bank, possibly doubting Chile's ability to service its external obligations and wanting to get what it can for its Chilean exposure, may be willing to sell the foreign debt note at a discount to any buyer, including the debtor itself.

The Chilean debt note, with a face value of $100,000, might be sold at $70,000. Under central bank rules, the note which was purchased for $70,000 may be exchanged for Chilean pesos at the full $100,000 value.

Pesos received from the sale of foreign debt securities must be used immediately to pay domestic peso debts, to acquire new peso assets or, in the case of foreigners or Chileans residing abroad, for foreign investments in the country. The central bank does not make its own reserves available for these operations, and those wanting to buy Chilean debt notes must therefore either use their own dollar holdings (thus encouraging the return of flight capital) or else purchase dollars on Chile's parallel market.

"The central bank measures are trying to direct to Chile's benefit some of the losses creditors are willing to take on Chilean debt," says one British banker in Santiago. London banks, he says, are more active in this market than American financial institutions, which tend to have less experience in dealing with international paper. Nevertheless, the biggest single transaction was undertaken by Bankers Trust, which converted $60m of its own Chile loans to the central bank for local investment, including the purchase of 51 per cent of the shares of a private pension fund company.

In the case of foreign investors using the debt notes, the capital derived from the sale of the securities must remain in the country for at least 10 years, and no profits may be taken out of Chile, for at least four years, although Chile's ordinary foreign investment statute places no restrictions on the repatriation of capital and profits.

The debt notes are proving attractive to many investors with long-term projects, since a $100,000 debt note purchased at $70,000 makes the buyer a pesos equivalent of $30,000 on a $70,000 investment. These investments are expected to increase rapidly in the coming months, from a low of a few hundred million dollars to a high of $1bn.

"The genius of the Chilean system is that it involves no monetary emission, but uses existing pesos," says Mr David Gallagher, a British businessman in Santiago who has negotiated several Chilean debt purchases. "Given the structure of Chile's foreign debt, the buyer has a wide range of notes to choose from—private bank debt, central bank debt, public sector debt and so forth." Mr Gallagher notes that other Latin American countries, including Argentina, Brazil and Ecuador, have traded some of their foreign debt notes, but with less success, since the countries' central banks accounted for a much larger share of their foreign borrowing than in Chile.

While many foreign bankers in Santiago seemed enthusiastic about the programme, Chilean officials are maintaining a more cautious stance.

"Not all foreign creditors are willing to sell off their Chile exposure at a discount," say Mr Francisco Garces, the Chilean central bank's director for foreign transactions. "It is difficult to estimate the amount of capital returning to the country."

The central bank has revised the programme in accordance with market conditions. When the scheme was first announced in mid-1985, the parallel market exchange rate increased by about 5 per cent. But a $10m monthly limit on official exchange transactions recognised by the central bank appeared to control this spread. Beyond this limit buyers of Chilean debt notes had to bring in dollars from abroad. When the parallel market (currently running at around 197 pesos to the dollar, against an official bank rate of 189) appeared to stabilise, the monthly limit on official exchange transactions was raised to $20m.

Chase and Merrill win mandate for Spain

By Peter Montagnon, Euromarkets Correspondent

CHASE MANHATTAN and Merrill Lynch emerged yesterday as the winners of the long-awaited mandate to arrange a $500m eight-year loan facility for Spain.

The deal will replace the $500m facility assembled for Spain in 1984 by Merrill Lynch and, following a spate of repayments by Spain, will be the Kingdom's only outstanding Eurocredit when it is complete.

Lower oil prices and the availability of cheap peseta funds in the domestic money market have enabled Spanish borrowers, including the Kingdom, steadily to reduce their foreign indebtedness over the past couple of years.

The new deal carries an annual facility fee of 5 basis points, well below the charge applied under the previous Merrill Lynch facility, which started at 12½ points and was due to rise in stages to 17½ points as the operation moved towards maturity.

Spain can use the new facility to draw funds in the form of short-term bank advances or Euronotes carrying an effective maximum margin of five basis points over the London interbank offered rate (Libor). An additional utilisation charge of up to five basis points will also be applied, depending on how much is drawn.

Separately, however, Spain can issue unlimited amounts of Eurocommercial paper on a so-called uncommitted or non-underwritten basis. It intends to merge its existing $500m Eurocommercial paper programme with the new deal under one legal contract.

The new facility will thus cover Spain's entire borrowing activities in the short-term Eurocurrency money markets.

Spain will appoint specialist dealers in its commercial paper at its own discretion, but banks participating in the new $500m facility will be entitled to a place on the tender panel which processes bids for paper under the committed portion of the deal.

The underwriting facility arranged by Merrill Lynch for Spain in 1984 is to be cancelled, but no drawings are outstanding at present.

SE approves Philadelphia options link

By Our Euromarkets Correspondent

THE London Stock Exchange has given its formal blessing to the idea of a planned link between the London traded options market and the Philadelphia Stock Exchange.

In its first formal consideration of the issue yesterday, the Council of the Exchange agreed that work should continue by its staff on the link, which will create a fungible market in currency options.

"If instituted, the link could boost liquidity, increase volume and encourage new participants in the London market," the Stock Exchange said.

A final decision by the Council to proceed will depend on the outcome of discussions now in progress on the way in which the link would be regulated. It is still therefore expected to take several months before it becomes operational.

Surprise dealer for Jaguar sterling paper

By Our Euromarkets Correspondent

LLOYDS MERCHANT Bank has been appointed by Jaguar, the UK car manufacturer, to act as a dealer in sterling commercial paper issued by the company once regulations permitting the development of such a market become effective.

Jaguar had earlier announced that it was adding a sterling option to its existing Eurocommercial paper programme, but the unexpected twist is that Lloyds was not a dealer under that programme.

Bankers said they expect that the ranks of dealers under other existing programmes could also be changed to bring in the relevant expertise as sterling options are added. English China Clays is another UK company with a Eurocommercial paper programme to have announced that it is now adding a sterling option.

Meanwhile Marubeni Corporation of Japan has announced a $300m commercial paper programme arranged by Citicorp and J. Henry Schroder Wagg. Other dealers will be Bankers Trust, Morgan Stanley and Nomura International.

The paper will be issued through three of the company's subsidiaries—Marubeni International Finance (Cayman), Marubeni America Corporation and Marubeni UK (Cayman). It is guaranteed by Fuji Bank.

Japanese houses in bond lead-management challenge

BY CLARE PEARSON

US and European securities houses admit they are flustered. The London-based subsidiaries of the "Big Four" Japanese securities houses—respectively Nomura International, Daiwa Europe, Nikko Securities and, to a lesser extent, Yamaichi International—have recently shot to prominence in the Eurobond lead-management tables.

This cannot be explained by a flood of Euroyen or equity-related issues for Japanese companies. Rather, mandates for dollar issues from prestige US clients such as IBM, Pepsico, and Exxon, and European state agencies such as Electricite de France, have been falling into the hands of the Japanese.

Of General Electric's past five issues, Japanese houses (including Long-Term Credit Bank of Japan) have led four. Nomura International's recent mandate from IBM was snatched from Salomon Brothers.

The issuing spree prompted by the low interest rates of a few weeks ago gave the Japanese houses the opening to get in on the lead-management act. As the primary market has fallen away since then and less well-capitalised European and US houses have fought shy of new issues business, the Japanese have continued bringing deals on terms that some have called "kamikaze."

To some this looks like a "Japan Inc" scheme to gain market share by means of undercutting the opposition on price. Last week Sir Timothy Bevan, chairman of Britain's Barclays Bank, claimed in New York that Japanese institutions were "dumping" their services on international markets. Fears that the Japanese are seeking to win new issues business at any price may, however, be overdone.

Japanese banks already dominate world bank lending and Japanese securities houses have significant advantages over rival firms to assist a similar takeover of the Euromarkets.

For one thing, there is their huge size. In last Thursday's auction of 30-year US Treasury bonds, for instance, the four houses together were able to bid for $4bn of the $9bn bonds on offer.

On the home front, the houses are backed by a vast pool of domestic savings which, since the relaxation of government curbs on overseas investment, has been desperately seeking outlets abroad.

As a massive surplus on the current account has developed,

EURODOLLAR BOND MARKET SHARE

Lead Manager	Amount $m	Jan.-Apr. 1986	Position 1985
CSFB	4,983	1	1
Salomon Bros.	3,089	2	3
Nomura Secs.	2,408	3	9
Deutsche Bk.	2,397	4	8
Merrill Lynch	2,228	5	2
Daiwa Secs.	2,045	6	21
Nikko Secs.	2,018	7	—
UBS	2,001	8	7
Morgan Stanley	1,842	9	5
Morgan Gty.	1,650	10	4
Banque Paribas	1,066	11	16
Long-Term Credit Bank	1,033	12	—
Yamaichi Secs.	938	14	19
Industrial Bk. of Japan	651	20	—

Source: Euromoney Capital Markets Guide.

Japanese institutions have invested vigorously in dollar bonds. There are limited available investment opportunities in Japan and the capital market in dollar securities is far more *liquid* than those in other currencies. This factor has kept Japanese interest in dollar securities running high despite the sharp rise in the exchange value of the yen. Although the yield differential between dollar and yen instruments has been narrowing, it is still around three points, and this, combined with rises in prices of dollar bonds, helps to offset currency losses.

The securities houses have the capacity to subsidise their loss-making Eurobond business with the huge profits they have derived from the rally in US Treasury bonds. Given the strength of institutional and retail demand, moreover, loss-making long positions in underwritten bonds can be traded away quite quickly.

Some have gone so far as to say that this "unfair" advantage has split the Eurobond market into two tiers. On the one hand, there are the US and European houses, their hands tied by their available capital and the price-consciousness of their sophisticated retail investor base. On the other hand there are the Japanese houses with a captive domestic retail outlet, where investing decisions are not in tune with the Eurobond market as a whole.

Yet the Japanese securities houses' freedom of manoeuvre can be overstressed. Under domestic regulations, only 30 per cent of an issue can be pre-placed. Japanese institutions have sophisticated information at their disposal and cannot be relied upon to buy instruments priced entirely out of line with the Eurobond market as a whole.

Moreover, US bankers say Japanese houses do not make secondary markets in new issues which are effectively private placements dressed as public offerings. This means they stand to lose the sympathy of investors who find themselves unable to liquidate their holdings.

There are further considerations. An issue priced below market rates gets a borrower a bad name in the Eurobond market, as issuers such as Citicorp have discovered to their cost. Old hands in the market, such as large US companies, are aware of this limitation on their ability to seize bargain terms.

Senior executives at the Japanese houses stress their commitment to making money in the market, even in the short term. "We are here to make money," says Mr K. Fujimoto, managing director of Daiwa Europe. The record profits that the Big Four turned in for the half year to March testify to this priority.

US and European houses forced to underwrite unsaleable deals led by some of the Japanese houses have understandably been worried. At a senior level, however, rival firms claim to welcome extra competition, and say that market forces will correct any anomalies created by recent pricings.

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market. Closing prices on May 13

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amoco Co. 9¾ 16	200	100⅛	100⅝	−0⅞	−0⅞	9.71
Atlan. Richfield 10¼ 00	250	105½	106	−0⅞	−1½	9.49
Australia Com. 11 95	200	115⅞	116⅛	−1	−2½	8.38
Australia Com. 11¼ 00	100	116	116½	−2	−2⅝	9.15
[illegible]						

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amca. Ex. Os. Cr. 0 91 A$	100	55⅛	55⅞	+0⅛	+0⅜	12.47
Bremer Lndbk. 10 91 A$	30	100⅛	100⅞	−0⅛	−0⅞	9.87
Fiat Finance 14½ 89 A$	50	103⅞	104⅜	−0⅛	−0⅞	12.69
GMAC 12⅞ 89 A$	40	102⅛	102⅞	−0⅛	+0⅛	12.25
[illegible]						

DEUTSCHE MARK STRAIGHTS [illegible]

SWISS FRANC STRAIGHTS [illegible]

YEN STRAIGHTS [illegible]

FLOATING RATE NOTES [illegible]

CONVERTIBLE BONDS [illegible]

[illegible]

APPOINTMENTS

Geest financial director

Mr David Sugden has been appointed financial director of GEEST HOLDINGS. He joins from Spear and Jackson where he was group finance director.

★

The ENGINEERING COUNCIL has selected as members for a three-year period **Mr George Adler**, former director of research of the British Hydromechanics Research Association; **Mr Timothy Beynon**, headmaster of Leys School, Cambridge; **Mr Frank Chorley**, deputy chief executive, The Plessey Company; **Mr Stan Davison**, deputy general secretary, the Association of Scientific, Technical and Managerial Staffs; **Mrs Jean Denton**, director, external affairs, Austin Rover; **Mr Denis Filer**, director engineering, ICI; **Dr Gordon Higginson**, vice chancellor of Southampton University; and **Mr Roy Roberts**, group managing director, GKN.

★

Mr Christopher Dicks, managing director of Joseph Woodhead and Sons, publishers of the Huddersfield Daily Examiner, is the new president of the NEWSPAPER SOCIETY. He succeeds **Mr Robbie Thomas**, vice chairman and editorial director of North Wales Newspapers. Mr Dicks is a former director of Reuters and a former chairman of the Press Association. The new senior vice president is **Mr Graham Parrett**, chairman and managing director of Parrett and Neves and its publishing subsidiary, Associated Kent Newspapers. The junior vice president is **Mr Bill Heeps**, chairman, chief executive and editor-in-chief of Thomson Regional Newspapers.

★

AIR CALL MEDICAL SERVICES, a wholly-owned subsidiary of Air Call, has appointed **Dr Neil Kaiper-Holmes** as executive medical director.

★

Mr Bob Kennedy has joined Extel's sports services division as project director—EXTELSAT. He wil be responsible for the direction and development of the division's proposed satellite TV racing service for the betting office market. Mr Kennedy was managing director of Screen Sport, the European satellite TV sports channel, which he founded.

★

Mr Ron Mitchell has been appointed technical director of MICHAEL BAKER CONTRACTS. He was a contracts manager.

★

Mr F. S. Thomson, chairman and managing director of the TI domestic appliance division, has become president of the SOCIETY OF BRITISH GAS INDUSTRIES.

★

GLANFIELD LAWRENCE has appointed **Mr J. H. Feltham**, as chairman, and **Mr H. R. Holland** as a director. **Mr J. A. Gregory**, **Mr B. A. V. Henson** and **Mr P. L. Britten** have resigned from the board.

★

Mr Peter Hutton and **Mr Stewart Lewis** have been named directors of MARKET & OPINION RESEARCH INTERNATIONAL (MORI).

★

Mr Timothy Parker has been appointed managing director of THORN EMI KENWOOD SMALL APPLIANCES, Havant, from June 1. He succeeds **Mr Keith Miller**, the present chairman and managing director, who is retiring at the end of June. Mr Parker is transferring from another company in Thorn EMI's appliances and lighting group, Crypto Peerless, Birmingham, where he has been managing director since 1983.

★

Mr Patrick Lay, former financial editor of the Daily Express, has become a director of TREVOR BASS ASSOCIATES, public relations subsidiary of Blue Arrow.

★

NEWMARKET VENTURE CAPITAL has appointed **Dr Caroline Vaughan**, **Mr Tim Lowden** and **Mr Tom Shaw** as directors.

★

GIBBS HARTLEY COOPER, Lloyd's insurance broking subsidiary of the Hongkong Bank group has appointed as directors **Mr Peter Ahlas**, **Mr Richard Sheehan**, **Mr John Evans**, **Mr Brian Hough** and **Mr Michael Warner**. Gibbs Hartley Cooper was formed from the merger in 1983 of two long-established Lloyd's insurance brokers. Mr Warner has been managing director of Hartley Cooper and Warner since 1983—the other new directors joined the group recently.

★

Dr Robb Wilmot has been appointed chairman of the international advisory panel of ROOT COMPUTERS with a global strategic planning brief. This follows the acquisition of majority control of UniSoft Corporation of Berkeley, California.

★

As part of the reorganisation of the DAILY TELEGRAPH, **Mr Ken Burton** will become advertisement director of the company. **Mr Tony Broke-Smith** will be leaving the company when Mr Burton joins. It is expected that these changes will take place in June. Mr Burton has been marketing and sales director of Thomson Local Directories since 1982.

★

Mr W. Berry Templeton has been elected vice chairman of GATEWAY BUILDING SOCIETY. He is chairman of W. Berry Templeton, property consultants.

★

Mr Brian Haigh has joined the board of LION INTERNATIONAL. He was formerly the director general of defence contracts at the Ministry of Defence.

Motor Cars

Personal

Holidays and Travel

Residential Property Advertising appears every Wednesday and Saturday

Residential Property

Rentals

Legal Notices

Company No. 1637718
(Registered in England)
IN THE MATTER OF THE COMPANIES ACT, 1985
AND IN THE MATTER OF
BEAUMONT *SERVICES LIMITED*
Registered Office:
Silvene House, 1 Chilworth Mews, London W2 3RG.
Business Address:
238/240 Lewisham High Street, London SE13 6JU

NOTIVE *IS HEREBY GIVEN pursuant* to section 588 of the Companies Act 1985 that a meeting of the Creditors of the abovenamed company will be held at Shelley House, 3 Noble Street, London EC2V 7DQ on 21st May 1986 at 12 noon for the purposes mentioned in *Section 589 et seq of the Companies* Act 1985.

Dated this 30th day of April, 1986.
P. C. DICKSON, Director

Overseas Property

Clubs

Company Notices

CITY OF COPENHAGEN
30,000,000 European Units of Account
7% 1978/1993 Bonds

Pursuant to the provisions of the Purchase Fund, notice is hereby given to Bondholders that nominal UA 1,740,000 have been purchased for the Purchase Fund during the 12 month period from May 2, 1985 to May 1 1986.

Amount outstanding:
UA 18,590,000

The Fiscal Agent
KREDIETBANK
S.A. Luxembourgeoise

May 14 1986

SOCIETE NATIONALE DES CHEMINS DE FER FRANCAIS
US$100,000,000
12⅛% Guaranteed Notes due 1992 with detachable Warrants to purchase US$100,000,000
12¼% Guaranteed Notes due 1992
NOTICE OF PARTIAL REDEMPTION

Notice is hereby given that pursuant to the fiscal agency agreement dated as of December 13th, 1984 between SNCF and Banque Nationale de Paris (Luxembourg) S.A. the following notes in the *principal amount of* US$1,000,000 have been drawn by lot and are due for redemption on June 16th, 1986 at the offices of the paying agents at 101% together with accrued interest thereon to said redemption date.

103220-103319

The Fiscal Agent
BANQUE NATIONALE DE PARIS (LUXEMBOURG) S.A.

UK COMPANY NEWS

Sears rises to £185m despite footwear setback

Sears, the High Street retailer taking in Dolcis, Saxone, Selfridges and the William Hill betting shops chain, yesterday unveiled its 1985-86 results showing profits at the top end of City estimates, but below those looked for by the directors.

At the pre-tax level, they rose from £175.2m to a record £185.2m with all but the footwear activities chipping in improved returns.

Here, trading was particularly affected by unseasonable weather and profits fell by £11.8m to £73.8m—Europe's contribution declined from £78.5m to £69.1m with the US take-down by £2.4m at £4.7m.

Mr Geoffrey Maitland Smith, the chairman and chief executive, tells shareholders that in the current year he expects an increasing contribution from Foster Brothers Clothing (taken over in April 1985), and major benefits from planned changes in footwear retailing.

Group turnover for the past year (to January 31 1986) improved to £2.28bn, an increase of 12.8 per cent over the previous year's £2.02bn, and trading profits pushed ahead from £168.8m to £181.6m.

Within the stores sector, multiple fashion and sports goods increased its contribution from £12.5m to £25m. The figures here included £9.6m from Foster Brothers since acquisition.

Profits from the licensed betting offices showed an improvement of £5.5m at £17m.

Group pre-tax profits included a £4.8m (£3.6m) share of related company results and were struck after taking account of a £6m rise in interest charges to £8.6m. Non-trading items added £7.4m (£5.4m).

Tax accounted for £64m (£65.1m) and minorities for a same-again £0.6m. There were also extraordinary charges this time of £3.7m.

The available balance for ordinary shareholders emerged at £116.7m, against a previous £109.3m.

Earnings per 25p share edged ahead to 8.3p (8.1p) and a final dividend of 2.5p (2.2p) raises the total from 3p to 3.4p net.

Last October in his interim report (profits then were £6.3m higher at £68.3m) Mr Maitland Smith said the start of trading in the second half had been patchy due to continued unseasonable weather.

He added, however, that an early introduction of autumn merchandise had resulted in increased trade and that, provided levels of consumer spending were firm over the last three months, he anticipated a satisfactory improvement in profits for the year as a whole.

See Lex

ANALYSIS OF TRADING PROFITS

	1985-86 (£m)	1984-85 (£m)
FOOTWEAR		
Europe	69.1	78.5
US	4.7	7.1
STORES		
Departmental	27.0	26.1
Multiple fashion and sports	25.0	12.5
Jewellery	4.8	3.4
Other	5.0	3.9
MOTOR VEHICLE		
Sales and service	8.7	6.8
Car delivery*	nil	1.2
MISCELLANEOUS		
Betting offices	17.0	11.5
Housebuilding	9.5	8.0
Rental income	8.2	7.6
Engineering	2.6	2.2

* Sold August 1984.

Mr Geoffrey Maitland Smith, the chairman of Sears

Hillsdown extends its offer for Berisford

By Lionel Barber

Hillsdown Holdings, the UK food and furnishing manufacturer, is extending its £486m contested offer for S & W Berisford, the commodity trading group, to May 27.

Yesterday, Hillsdown said it had received acceptances amounting to 10.2 per cent of Berisford's shares. This includes, however, the 9 per cent stake pledged by Ferruzzi, the Italian food and agricultural group, which considered bidding for Berisford earlier this year.

Kleinwort Benson, acting in concert with Hillsdown, has purchased 27.7m Berisford shares (14.5 per cent). It is also holding 281,000 shares in bank until the offer becomes unconditional in order to avoid breaching the Takeover Panel's gross purchase rules.

Berisford, which is attempting to put together a management buy-out—combined with an agreed bid from Tate & Lyle, the UK sugar refiner—has appointed independent directors to consider the Hillsdown all-share offer. Yesterday, the directors described the offer as inadequate and said they would shortly give further information on the group's trading this year.

All three parties are waiting for the Secretary of State for Trade and Industry to decide whether both Tate and Hillsdown should be referred to the Monopolies and Mergers Commission. The Office of Fair Trading passed its confidential recommendation to the DTI yesterday.

The DTI stressed the complex issues raised by the bids for Berisford, whose principal attraction is its wholly-owned subsidiary British Sugar, the UK beet monopoly. These include the sugar pricing regime in the EEC; the quotas and prices for cane refiners importing from the African, Pacific and Caribbean countries; and the competition questions spelt out in the Monopolies Commission report on Berisford's acquisition of British Sugar in 1981.

Hillsdown is offering nine shares for every 11 in Berisford on the basis of last night's closing price for Hillsdown, down 3p to 278p, the offer values Berisford, up 2p to 214p, at 227p per share. Tate, whose bid is conditional on a successful buy-out, closed at 575p, up 4p.

Lloyds' rising shares lift value of Standard offer

BY DAVID LASCELLES, BANKING CORRESPONDENT

Lloyds Bank last night valued its takeover bid for the Standard Chartered Bank at £1.22bn, equivalent to 782p per share.

In the formal offer document posted to Standard shareholders Sir Jeremy Morse, Lloyds chairman, urged them to accept the offer which, he said, "would open up an exciting opportunity for British banking at a moment of significant change in the world economy."

The details of the offer differ slightly from the original approach made by Lloyds last month, when the bid was worth £1.17bn, or 750p per share. The increase is due to the intervening rise in the value of Lloyds' shares.

The basic offer consists of 32 new 7 per cent Lloyds Bank cumulative convertible preference shares of £1 each plus £28 in cash for every eight Standard Chartered shares. This is worth 782p per Standard share on the basis of 108p per convertible preference share as advised by Hoare Govett, Lloyds' brokers, and 627p per Lloyds share, the middle market quotation on May 8.

Alternatively, shareholders may opt for the same number of preference shares, but receive £16 in cash plus three new Lloyds ordinary shares again for eight Standard shares.

The offer compares with [illegible] the level at which Standard shares were trading just before Lloyds' first bid announcement on April 3. Last night they closed at 807p, down 1p.

Standard Chartered, which has rejected Lloyds' offer and stated its determination to remain independent, said last night it was studying the document and may issue comment today. The bank is also preparing its own defence document which will be issued in due course.

Smith & Nephew advances 24%

Smith & Nephew Associated Companies, which manufactures medical and healthcare products, textiles and toiletries, improved taxable profits by 24 per cent in the first 12 weeks of the 1986 year, from £13.6m to £16.8m.

With operating profits ahead by £2.2m at £15.3m, the result represents an improvement on margins with sales ahead only 4.4 per cent to £104.3m (£99.9m). The figures takes in a full 12-week contribution from Affiliated Hospital Products of the US, which was acquired in February 1985. The comparable figures include only a four-week contribution.

The directors say that exchange rate movements have reduced the sterling value of sales by £12.4m.

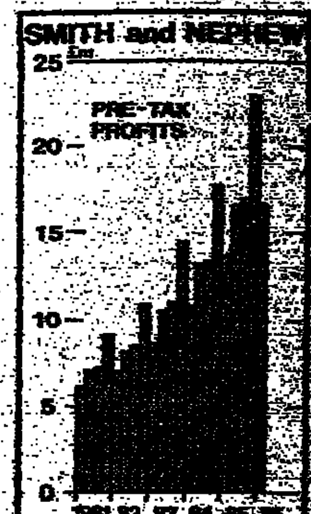
The net cost of borrowing fell from £1m to £0.4m and the company's share of related profits rose by £0.4m to £1.9m.

After tax at £5.7m, £1m up on last time, net profits came through at £11.1m (£8.9m), or 2.72p per share against 2.3p adjusted for the one-for-five scrip issue of May 1985.

A further one-for-one scrip is recommended for approval at the annual meeting to be held tomorrow.

● comment

Smith & Nephew's first quarter would have been £900,000 stronger but for translation and £1.5m or so less without the full contribution from February 1985's acquisition Affiliated Hospital Products. Both latex supplies, primarily rubber gloves, and surgical needles are going stronger than expected at the subsidiary thanks to continuing concern over AIDs in the US. The issue of $60m convertible bonds at 5¼ per cent has reduced S&N's debt levels and all businesses are presently cash generating. Forecasts of £86m for the year have the shares at 244p on a prospective multiple of 17, one of the highest rated stocks in the sector, which suggests that all the good news is in the price already.



Pegler attacks bid as profits rise 20%

By Lionel Barber

Pegler-Hattersley, the valves, building and general products manufacturer, yesterday announced a 19.6 per cent rise in pre-tax profits to £21.67m for the year ending last March.

Pegler repeated details announced 12 days ago when it released a profit forecast for 1985-86 and a proposed 37.9 per cent rise in total dividend to 20p. Yesterday's announcement of Pegler's preliminary results also show that turnover has risen 12 per cent to £173m.

Pegler, advised by S. G. Warburg, also attacked the Tomkins bid which, it said, had received acceptances amounting to a mere 1.1 per cent of its ordinary shares. "This confirms the very poor support for the Tomkins bid."

Sir Peter also questioned the source of Tomkins' forecast profit increase in the last year. He said it was disturbing that Tomkins apparently could not show how much of the increase was due to organic growth, how much to the proceeds of a rights issue and how much to acquisitions.

Tomkins advised by County Bank, is offering 13 of its shares for every seven in Pegler. On the basis of last night's closing price for Tomkins, up 2p to 310p, the offer values Pegler, unchanged at 608p, at 575p per share. There is a cash alternative of 529p per share.

Blue Arrow buys headhunter

BY TERRY POVEY

Blue Arrow, a USM-star performer, has made an agreed £16m bid for executive headhunter Hoggett Bowers.

Completion of the purchase should take Blue Arrow's market capitalisation over £100m against the £3.1m when dealings began in July 1984.

Terms of the offer for Hoggett are one Blue Arrow share for every three and there is a 114p cash alternative. On last night's closing price of 373p for the bidder, the paper offer values Hoggett's shares at 124p each. Hoggett's shares rose 8p to 116p last night.

Mr Tony Berry, chairman of Blue Arrow, yesterday described the Hoggett acquisition as a "necessary good." The two companies have been negotiating for over a year and Blue Aroow's plans for a major US expansion depend on its ability to offer a full range of recruitment services, he said.

Blue Arrow has succeeded in persuading the trust which holds a blocking 25 per cent of Hoggett's convertible preference shares to accept the cash offer.

This removes any serious impediment to the bid, which is priced on an exit earnings multiple of 17, succeeding.

For the year to August 31, Hoggett Bowers is forecasting profits of at least £1.1m before exceptional items and tax. Blue Arrow is due to produce audited interim results for the six months to the end of April at the end of June and the company hopes that this will be accepted as a sufficient record for a listing on the main market.

Before dealings begin in Mrs Fields, the US cokie company later this month, Blue Arrow will be the largest USM company by market capitalisation.

Outside of its growing personel recruitment wing, Blue Arrow is active in contract cleaning and is considering expansion into the financial services area. The bulk of profits comes from recruitment, however, following the takeover for £19m of the long established Brok Street Bureau in October.

According to Mr Berry, Blue Arrow is loking to expand the number of its recruitment offices from 170 to 250, with an emphasis on the north of England and Scotland.

The lower margin contract cleaning operations do not appear targeted for any expansion.

Wheway agrees bid for Bevan

WHEWAY WATSON, the West Midlands chainmaker and forger, yesterday announced an agreed £4.4m bid for D. F. Bevan, the Midlands-based metal merchant and steel stockholder.

Accompanying the offer is a profit forecast for the year to October 1986. Before tax, extraordinary items and costs associated with the marger, Wheway expects to make £950,000, a turnround from the previous loss of £332,000.

Bevan directors said they estimated a pre-tax profit of £525,000 for the year ending last March, before deducting a loss of £75,000 relating to a discontinued activity. Some 2.8m shares (36 per cent) owned or controlled by directors and other interests have accepted the Wheway offer irrevocably.

The offer is two new Wheway shares for every one in Bevan. On the basis of last night's closing price for Wheway, down 5p to 25½p, the offer values Bevan, up 3½p to 49½p, at 51p a share. There is a cash alternative of 45p a share.

The new shares offered represent 28 per cent of the Wheway's enlarged capital. The deal requires the approval of shareholders; Columbus McKinnon Corporation and Wheway directors, who speak for 21.9 per cent of the shares, have pledged to support.

Under the offer, all Bevan shareholders will receive a second interim dividend of 1p and will be entitled to the dividend paid by Wheway for the year to next October.

Warehouse bid talks boost shares

The share price of Warehouse Group, the fashion boutique operator, soared yesterday when it said it was involved in talks which might lead to an offer for the majority of its shares.

The shares closed at £12¼, up £3 on the day, which gives the company a market capitalisation of £8.6m. In the year to March 1985, the group produced pre-tax profits of £50,000 on turnover of £7m, and in the first half of the current year profits were £181,000 (£154,000).

COMPANY NEWS IN BRIEF

YEARLINGS—The interest rate for this week's issue of local authority bonds is 9½ per cent, unchanged from last week, and compares with 12 3/16 per cent a year ago. The bonds are issued at par and are redeemable on May 14 1987.

A full list of issues will be published in tomorrow's edition.

CADBURY SCHWEPPES, the confectionery and soft drinks maker, yesterday said it had completed the sale of its beverages and food division to a management team in a deal worth £97m. The division, which markets Typhoo Tea and Kenco coffee among other products, has been renamed Premier Brands.

SCHERING AG, the worldwide chemicals and pharmaceuticals business based in West Berlin and Bergkamen, West Germany, is listing its shares on the London Stock Exchange. Dealings are expected to start today. Schering is the first German company to obtain a full listing in London since the harmonised Common Market listing regulations first became applicable here in January 1985.

BRITISH ISLAND Airways, the non-scheduled carrier being floated on the USM, yesterday isued its prospectus showing a profits forecast of £1.5m for the year to December compared with £1.2m last year. The placing at 60p, on an estimated tax charge of 10 per cent, comes out at a modest 7.8.

THORN EMI has sold Gothic Crellon, a major UK distributor of leading-name electronic components and microsystems, to a company headed by Mr Bill Elms, who has been chairman of Gothic for the past four years. The buy-out was arranged by Venture Link and most of the £5m equity raised was placed with major financial institutions.

OUTWICH Investment Trust increased its net asset value to 225.8p at March 31 1986, against 178.2p a year earlier. Net revenue for the 12 months to the end of March rose from £2.33m to £2.55m. From earnings per share of 3.89p (3.44p) the total dividend is being raised to 3.4p (3p) with a proposed final of 2.3p (2p).

GERMAN SMALLER Companies Investment Trust reports a net asset value per 50p share of 149.45p in its first annual figures. The dividend will be 1.1p and stated earnings per share ended the year to March 31 1986 at 1.12p. Revenue before tax was £235,505, and this included dividends received of £320,717 and interest received of £84,374, but was after administration expenses of £169,586. After tax of £96,007, available profit was £139,498.

BESPAK has entered into an agreement to subscribe some £306,000 for 1,699,999 of Redland Medical's ordinary shares. Following the subscription Bespak will own just less than 50 per cent of the Redland Medical and as a result RM should retain its BES qualifying status. RM incurred pre-tax losses of £24,000 and £28,000 in the year to April 1985 and the six months ended October 1985 respectively. Net assets amounted to £502,000 at April 30 1985.

DIVIDENDS ANNOUNCED

Chesterfield Props. ...	7.5	July 11	6.5	12	10.5
Concentric ....int.	1.56	July 1	1.35	—	3.7
Dataserv	1.65¶	—	1.15	2.25	1.75
Holmes & Mrchnt.‡ int.	2.5†	Sept. 30	—	—	2.2
Parkland Textile	3.2	July 11	3.2	4.8	4.8
Walter Runciman	2.5	—	2.5	5	5
Sears	2.5†	—	2.2	3.4	3
Style	4.5	Oct. 1	4.5	4.5	4.5
Warnford Inv.	10	—	8	17	14.5

Dividends shown in pence per share except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ US cents.

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The Stock Exchange announces £850 million in assistance for smaller businesses.

The Unlisted Securities Market was opened in 1980.

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Simply, with conspicuous success.

Altogether, a total of 443 companies have together raised £850 million on the USM to finance expansion. Of those companies, 55 have made the transition to a full listing. 31 have been absorbed by mergers or acquisitions. Only a handful have ceased trading. And the vast majority have sought capital in order to expand.

In short, to hundreds of young and growing companies, the USM has proved its worth as a market for capital.

But that's only half the story.

Because at the same time, it has provided equally important new opportunities to investors seeking relatively high-risk investments (because the potential gains are greater) within a properly ordered market.

There is no doubt that many of those who have invested in companies listed on the USM would not have chosen to invest in small, young and largely unknown companies if those companies had not been subject to the scrutiny, the regulation and the approval of The Stock Exchange.

The companies, their workforces, their investors and the country as a whole have all benefited from the USM.

Yet it is only one of many major innovations introduced by The Stock Exchange in the course of the last ten years.

So perhaps it is no surprise that The Stock Exchange should respond to the needs of growing and developing businesses.

After all, it's something of a growing and developing business itself.

THE STOCK EXCHANGE

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UK COMPANY NEWS

David Goodhart on the £145m takeover approach to Pritchard

Hawley bids to clean up

Mr Michael Ashcroft (left), chairman of the Hawley Group, and Mr Peter Pritchard, chairman of the Pritchard Services Group.

THERE MUST be a special thrill about buying a company that once employed you.

Mr Michael Ashcroft, the mercurial chairman of Hawley Group, succumbed to that thrill for the second time yesterday when he launched his most serious assault to date on the independence of his former employer, Pritchard Services Group.

But the one-time assistant to the Pritchard finance director was driven by far more than sentiment when he unveiled the £145m bid.

The prize if he succeeds is leadership of a £1bn turnover services group with profits close to £75m and, among other things, the number one position in the UK office cleaning market.

The immediate indicators look good for Hawley. Apart from the not insubstantial body of City opinion that is unashamedly hostile to the Hawley style the bid was broadly received as intelligent and well-timed.

The timing has of course been prompted by Pritchard's very poor results released last week—a 30 per cent fall in taxable profits to just over £10m and an £11m write-off which left the company in the red for 1985.

Mr Peter Pritchard, the chairman, not surprisingly stressed that it was the first setback in 12 years of uninterrupted growth and that the fundamental problems in North America have now been overcome with sweeping management changes.

A large minority of his shareholders did not concur and Hawley was able to increase its Pritchard stake from 1 per cent to 28 per cent yesterday.

The attractions of the deal are obvious. Aside from Hawley's far stronger recent performance it has the tax advantages of a Bermudan base which would make Pritchard's earnings tax free.

According to Mr Bob Havill, analyst at James Capel, there is also for once real potential synergy in merging the two cleaning businesses in both the US and UK.

The two companies come from similar stables—they have both grown rapidly organically and through acquisition in the low-tech, low capital investment, service sector.

Mr Ashcroft started with a group of camping equipment shops in Birmingham and has now built up the company into a £390m turnover operation with three divisions: security services; home improvements and office cleaning.

By turnover, office cleaning remained the largest division accounting for about half of turnover. The company has grown fast in the US and last year achieved 61 per cent of pre-tax profit and 55 per cent of turnover. It also has about 30 per cent of its shares traded there.

Since July 1980 when Mr Ashcroft concentrated minds at Pritchard with his dawn raid—taking his stake up to 20.1 per cent for a few weeks—growth has also been rapid.

It has also been high profile with the company taking a leading role in the battles over privatisation of local and central government services.

Turnover and pre-tax profits rose from £86m and £3.5m in 1980 to £325m and £12.77m in 1983. But the £23.4m rights issue and acquisition of Spring Grove, the laundry group, in the summer of 1983 seemed to mark the slow-down in growth.

The £5m pre-tax profit drop announced last week did have particular causes—a disastrous investment in ICC Oil Services and heavy write-offs in Saudi Arabia—but there has also been more fundamental doubt about some parts of the group.

Some analysts have concentrated their attention on the US which accounts for a large part of turnover and remain spectical of the efficacy of the recent management changes.

Pritchard's main chance of survival hangs with stoking the fires of doubt that still rage over Hawley.

Critics of the company have pointed to the frequent share issues, the controversial accounting methods and the various minority stakes and quoted subsidiaries that clutter up its balance sheet.

In the past year Hawley has gone a long way to silencing the critics with the selling off of non-core interests and the buying out of quoted minorities. It has also slowed down its hectic drive for acquisitions.

The belief that Mr Ashcroft's well-known aggression has been tempered with a touch of corporate diplomacy won him the support of the world's top banks over the past year when he first borrowed $100m from the Euro-markets and then issued $80m worth of preference shares.

That has helped him clean up his balance sheet which is now only about 30 per cent geared—rising to 50 per cent if the Pritchard offer succeeds.

However, just when the Hawley image appeared to have been thoroughly polished Mr Ashcroft launched two deals which have raised some of the old doubts again.

First, he made a highly complex bid for the 57 per cent stake in Cope Allman which Hawley did not own. Mr Ashcroft ha dactually wanted to sell the 43 per cent stakeHawley ownedbut could not find a buyer at the right price.

The subsequent deal was perhaps rather unfairly castigated for its complexity and was in fact, very clever.

But buying 29.9 per cent of Attwoods, the waste handling group, from British Car Auctions, headed by Mr David Wickens, a long standing business associate of Mr Ashcroft—was seen as less clever.

Like the old days Hawley seemed to be issuing shares to buy a minority interest and its share priche which had been rising steadily was punished when the deal was announeed last month.

Nevertheless, it may not be enough to save Pritchard.

Uncertain climate leaves Stylo £0.3m in the red

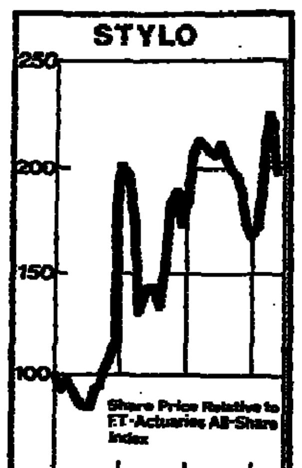
Stylo, the footwear retailer controlled by the Ziff family, was badly hit by unseasonal weather in the year ending February 1 1986, and the company plunged into losses in what Mr Arnold Ziff, the chairman, describes the the "most difficult trading year in our history."

At the pre-tax level, the company yesterday reported a £259,000 loss compared with a profit of £2.35m, on turnover down £9.18m at £49.58m. The market, which had been expecting a profit in excess of £2.5m, marked shares down 28p at 220p.

However, the company took in £1.66m of the £5.5m profit on the shale of Stylo Pennywise as an extraordinary item leaving it £1.25m in the black for the financial year (£1.74m).

The chairman says that the company's balance sheet is exceptionally strong, and that cash from the Pennywise sale and the disposal of a number of non-trading properties has been invested on refurbishment and capital investment in the two main trading divisions.

Because they regard the year's trading as exceptional, the directors are to hold the dividend at 4.5p for the year, despite losses per share at 2.05p against comparable earnings of 8.86p.



● comment

Shoe shops have always been at the mercy of the elements: a mild winter or late summer can play havoc with stock positions. But rarely has the sector faced two exceedingly difficult seasons within the same year, and Stylo is not alone in its suffering. Yet the reasons for the sudden collapse into losses go deeper. Michael Ziff, new MD of this family empire, has launched a refurbishing programme that should have been tackled years ago which has inevitably pushed up costs and depreciation while hitting the revenue line. Shareholders may accept that Stylo's attempt to bring itself up to date is better late than never, but if it were not for the voting structure somebody else would have undoubtedly done the job for the Ziffs—and perhaps delivered the rewards for shareholders that much earlier. However, while Michael Ziff is tackling outdated shops there is no obvious sign that an outdated capital structure is high on the list of priorities. There is talk, but getting the numbers in the black must come before dropping the defences. Meantime the shares at 220p, down 28p, point to a market capitalisation of just over £40m against internal estimates of an £80m asset value. Yet as long as the returns look so dismal the two figures will remain worlds apart.

Britannia seeks ruling on Maxwell holding

By David Lascelles

BRITANNIA ARROW may ask the Takeover Panel to deem that Mr Robert Maxwell, owner of 16.7 per cent of the investment management group, and MIM, the pension fund company whose investment clients have 13 per cent, are no longer acting in concert.

The expected request follows this week's acquisition by Britannia of MIM for £40m.

Mr Maxwell and MIM acquired their interests when they formed an alliance to fight off the hostile takeover bid for Britannia by Guinness Peat last year, and were deemed to be a concert party.

Although the alliance, if it continued, would make Britannia proof against further unwelcome approaches, Mr Geoffrey Rippon, the chairman, said yesterday that the situation was unsatisfactory.

In addition, Britannia's own funds own 4 per cent of its shares, which gives the concert party control of over 33 per cent of the stock. This could put the concert party in the unusual position of having to make an open offer for Britannia's shares if the Takeover Code was strictly applied.

Mr Rippon said yesterday that MIM will not be voting its Britannia shares on the acquisition because of conflict of interest.

In a formal document released yesterday, Britannia confirmed that it is acquiring MIM from Aetna Life and Casualty of the US for £40m. This will be financed by a £39.4m one-for-five rights issue.

In a letter to shareholders, Mr Rippon says the acquisition is being made to strengthen Britannia's position as "one of the UK's most successful independent financial services groups."

Profit recovery continues at W. Runciman

The recovery at Walter Runciman, has continued with pre-tax profits for 1985 more than trebled from £468,000 to £1.41m. The holding company with interests in shipping, insurance and security engineering, fell into the red in the first half of 1984.

The shares closed at 101p, up 16p.

Turnover was £52.23m, against a restated £50.93m, and the earnings per share came out at 15.66p, pre-extraordinary items, against 6.05p. The dividend is unchanged at 5p with the recommended final payment maintained at 2.5p.

The tax charge was £37,000 (£95,000 credit) and minorities last time took £32,000 to leave attributable profits of £1.37m against £531,000.

There was an extraordinary debit of £377,000 (£421,000) relating to the closure of J. W. Levy & Son.

BLUE CIRCLE WEST, a wholly-owned subsidiary of Blue Circle, intends to acquire Johnson Stewart Johnson, an Arizona-based ready-mix concrete and aggregate supply company. The consideration will be about US$24m (£15.3m).

Substantial profit cut expected by Syltone

Syltone, an engineering holding company, has issued a warning that its profits for the year to March 1986 will be "substantially less" than the £1.3m made in the previous year. However, it indicated that last year's dividend of 10p a share will be maintained.

The directors declined to amplify on a bald statement that attributed the decline to a reduction in sales orders and to problems associated with the introduction of new products. The company says that these have been largely resolved.

Full details will accompany the results which have been brought forward from July to June.

At the interim stage Syltone's profits before tax were almost trebled to £469,000, compared with £159,000. Profits after tax rose to £295,000, from a loss of £25,000 in the comparative period, due mainly to the lifting of unrelieved tax losses overseas.

The group's subsidiaries make pumps and compressors and are based in the UK, US, France, Holland and Italy.

The shares closed at 194p yesterday, down 16p.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: Beggeridge Brick, China and Eastern Investment, NSS Newsagents.

Finals: Asda Property, Bremner, Duport, External Investment Trust, Gieves, Henderson Group, KCA Drilling, Land Securities, Mappin and Webb, Ramco Oil Services, Steaua Romana.

FUTURE DATES

Interims—

Albion	May 22
Brooke Tool Engineering	May 19
Dubilier	May 19
Irish Distillers	May 21
Majedie Investments	May 20
Winterbottom Energy Trust	June 17

Finals—

British and Commonwealth Shipping	May 15
Gartmore American Securities	May 20
Johnson and Firth Brown	June 4
Mersey Docks and Harbour	May 20
Readicut International	May 19
Sapphire Petroleum	May 16
TR Natural Resources Invest. Trust	June 2
TR Property Investment Trust	May 28

ANNUAL MEETINGS

BICC chief wary about oil price fall

Sir William Barlow, the chairman of cables group BICC, told shareholders that the company was beginning to experience delays and hesitation in the energy sector where, following the sharp fall in the oil price, capital expenditure is slowing down.

But he added that in the long term lower energy costs are seen as beneficial to world trade and therefore to the company.

Balfour Beatty had a good intake of orders, particularly in the UK, and BICC Technologies is continuing its trend of improvement. In the cables business at home and overseas the telecommunications market remains firm.

The Australian and New Zealand companies are having a good year, although currency effects have not so far been helpful.

● Turner & Newall chairman, Sir Francis Tombs, said trading so far during 1986 had followed the customary pattern, and he was pleased to see some recovery in the US and India. Currency movements in respect of African countries had, to some extent, reversed the unfavourable movements of last year.

As a result of these factors, and continued progress in the UK and the rest of Europe, he expected that 1986 profits would show an improvement.

● Davidson Pearce chairman, Mr Christopher Hawes, said that this year the company would have the benefit of new business recently acquired, but some of this is likely to be offset by reductions in the levels of some existing client expenditure. Nevertheless, he was confident on present forecasts of another successful year.

UK COMPANY NEWS

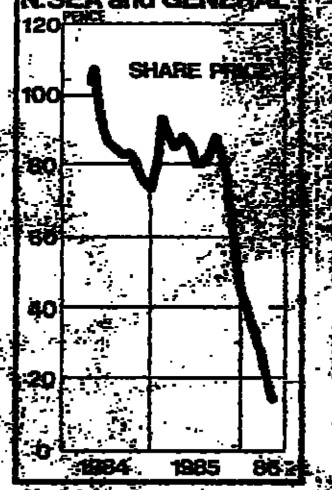
North Sea & General £4.5m in the red

A CHARGE of £6.7m following a revised asset valuation resulted in North Sea & General Oil Investments reporting pre-tax losses for 1985 of £4.48m against profit of £1.93m. The revaluation was thought necessary after the fall in the oil price since the beginning of the present year.

Turnover improved from £13.14m to £14.37m. In the second half losses amounted to £6.72m.

From a gross profit of £6.32m (£6.84m) there were exploration costs written down of £4.37m against £3.51m, though this was in line with the greater output in terms of barrels.

In addition, the financial performance was influenced, the directors state, by the weakening of the dollar



against sterling. At the trading level this led to tighter margins, as all income is dollar based. Financial income was improved, though by a large realised gain, the group's borrowings which more than reversed last year's loss.

Administrative costs fell from £620,000 to £341,000. Interest received and similar income improved from £325,000 to £1.24m while interest payable and other charges dropped to £641,000 (£1.03m).

After tax of £641,000 (£1.03m) losses per £1 share are shown as 20.62p (1.79p earnings). The company, which is principally involved in the production of and exploration for oil and gas on the North Sea continental shelf, came to the USM in March 1984. It has not yet paid any dividends.

Group cash flow remained strong over the year, with its operations generating over £8.8m, and the cash reserves increasing by over £1.2m.

An appraisal well on the group's 49/5 gas discovery in the Forties field proved the extension of the gas accumulation. The exploration well 219/27-1 was a dry hole, the directors report.

USM placing values Clarke Hooper at £9.3m

By Alice Rawsthorn

The sales promotion consultancy Clarke Hooper, is joining the USM through a placing of 2.1m, or 29.4 per cent of its ordinary shares at 130p each, in an issue sponsored by stockbrokers Capel Cure Myers.

After the flotation Clarke Hooper, which is the fifth sales promotion consultancy to join the USM, will be capitalised at £9.3m.

The company's activities concentrate on developing strategic sales promotion, marketing campaigns for clients which include Fine Fare, Guinness, Heinz, Sony and Weetabix.

It expects to produce pre-tax profits of £920,000 on turnover of £7.35m in its last financial year to April 30. Part of the proceeds of the placing — some £100,000 — will be ploughed into new business development and, in the longer term, into acquisitions within the marketing services sector.

Dealings will commence next Tuesday.

Leyland purchase causes problems for Wm. Morris

PROBLEMS FOLLOWING the acquisition of Leyland Paint & Wallpaper contributed to William Morris Fine Arts plunging into the red in 1985.

Mr Trevor Barker, the chairman, says the problems of 1985 turned out to be far more severe than anticipated. Corrective action was taken promptly, the problems were overcome and his view of the future remains optimistic.

The group, which manufactures wallcovering and has interests in sculpture casting, reports pre-tax losses of £2.74m compared with profits of £755,000 in 1984. There was a loss of 7.88p per 20p share against earnings of 3.58p—the group's shares are traded on the Unlisted Securities Market.

One of the problems which stood in the way of a smooth takeover of the Leyland wallcoverings division was a major breakdown in the computer systems which were introduced early in 1985. The faults were not completely corrected until this January.

Proceedings have commenced against the suppliers and manufacturers of the computer hardware and software, and damages of £1.48m are sought. All costs have been absorbed in the 1985 figures.

Operating problems were also experienced in servicing the ranges acquired from Leyland, and the knock-on effect on the production of the group's own ranges at Peterlee, Co Durham, adversely affected the sales of that division.

Of the current year, Mr Barker says the group has traded profitably in the first quarter of 1986. Its bankers ...

In the meantime, the business of Wallpride Wallcoverings, a private wholly-owned company, is being purchased and the consideration is 2.2m new ordinary shares (approximately 6 per cent of the company's existing issued share capital).

Morris' turnover in 1985 was £11.46m against £5.3m, and there was an operating loss of £2.38m against profits of £769,000.

● **comment**

Nothing, but nothing, worked out for William Morris in 1985. At the interim stage it told a gloomy tale of the Leyland Wallpapers débacle. By the end of the year the tale was gloomier still with accountancy errors, production problems, distribution difficulties, computer malfunction and a management team, fresh from the buy-out, that was just too young to cope. The company claims that it has allowed for every probable and possible loss from Leyland in this set of results and that it can begin 1986 afresh. The City seemed satisfied that it has hauled itself out of the doldrums and the shares rose by 2p to 28p yesterday. All in all the Leyland débacle cost William Morris £2m that it can ill afford to lose. The company has emerged with vinyl capacity and an entrée to the retail multiples, however, which should increase sales to 7.5m rolls this year producing profits of £1.5m and a prospective p/e of 5. Although the balance sheet is in a sorry state, should any or all of its legal claims, pension fund surplus or Government grants come to fruition, the proceeds could reduce the burden of borrowings and help to resuscitate shareholders' funds.

Parkland holds dividend as profits fall £786,000

SECOND HALF profits of Parkland Textile (Holdings) are on target at £917,000 and this still means the year ended February 28 1986 has produced a lower result. Pre-tax profits falling from £2m to £1.22m.

The final dividend is held at 3.2p for an unchanged total of 4.9p per share. [illegible] earnings fell to 10.2p (18.2p) ...

Financial [illegible] the group are [illegible] and, during [illegible] manufacturing [illegible].

The profit has been eroded by developments within the clothing division, the directors report. And they add that much still needs to be done to obtain the required return on capital. However, the forecast is for a gradual improvement this year.

They view the 1985-86 results as a temporary setback and say they have planned investments of over £2m during the next two years.

Turnover for the year rose to £54.3m (£48.6m) on which the trading surplus was £3.52m (£3.64m). Net interest charges to £965,000 (£1,021,000) and total borrowings were reduced by £811,000.

The directors refer to the takeover speculation surrounding the company during the past year, and say it was totally unfounded. The close company status enjoyed by Parkland provides a stability on which it can build for the future.

Past investment policy has led to a net asset value of 214.7p (against the share market value of 143p). They feel the assets are right for the marketing policy and will be put to more profitable use in future.

The directors think the wool textile industry has bottomed out of its recession and there will be continuing demand for the company's products and services.

This can only be achieved through close working relationship with the better clothing manufacturers and major retailers in the UK, which is where the future lies—nevertheless, exchange rates will always have a significant influence on results.

Progress at Chesterfield Properties

Pre-tax income at Chesterfield Properties, property dealer, developer and investor, rose from £5.85m to £7.3m in 1985 from turnover considerably higher at £15.61m compared with £9.55m. The dividend is raised from 10.5p to 12p net with an increased final of 7.5p against 6.5p. Stated earnings per 25p share were up from 20.63p to 25.85p. Net asset value per share at December 31 was 12p higher at 584p.

Turnover consists of rental income of £9.34m (£8.76m); property dealings of £4.71m (£1.09m). Income from investments was £284,000 and interest receivable £93,000 (£107,000).

Warnford Investments nears £5m

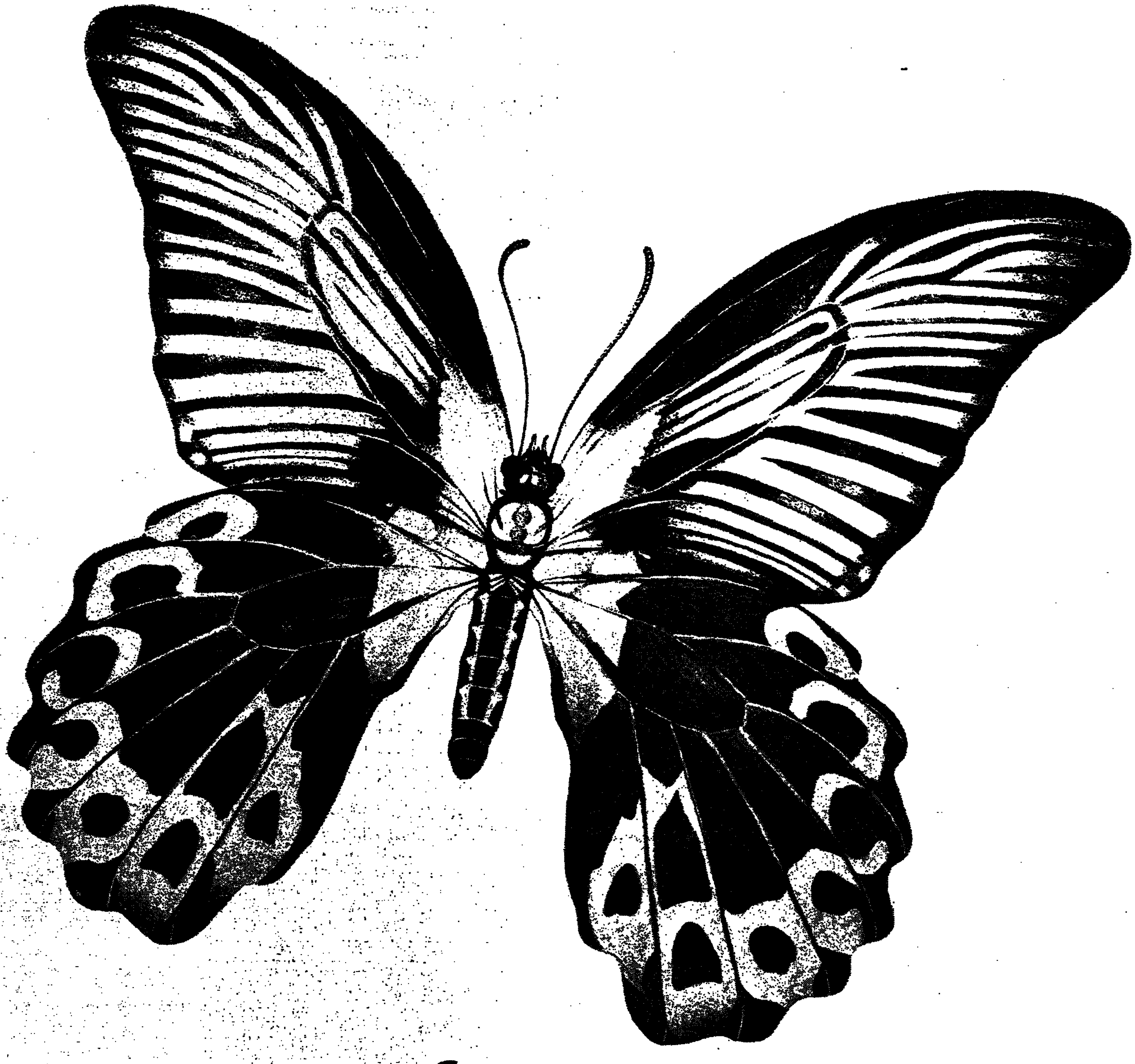
Warnford Investment, London-based property investor, raised 1985 profits from £4.21m to £4.87m pre-tax from a turnover £0.72m ahead at £6.23m.

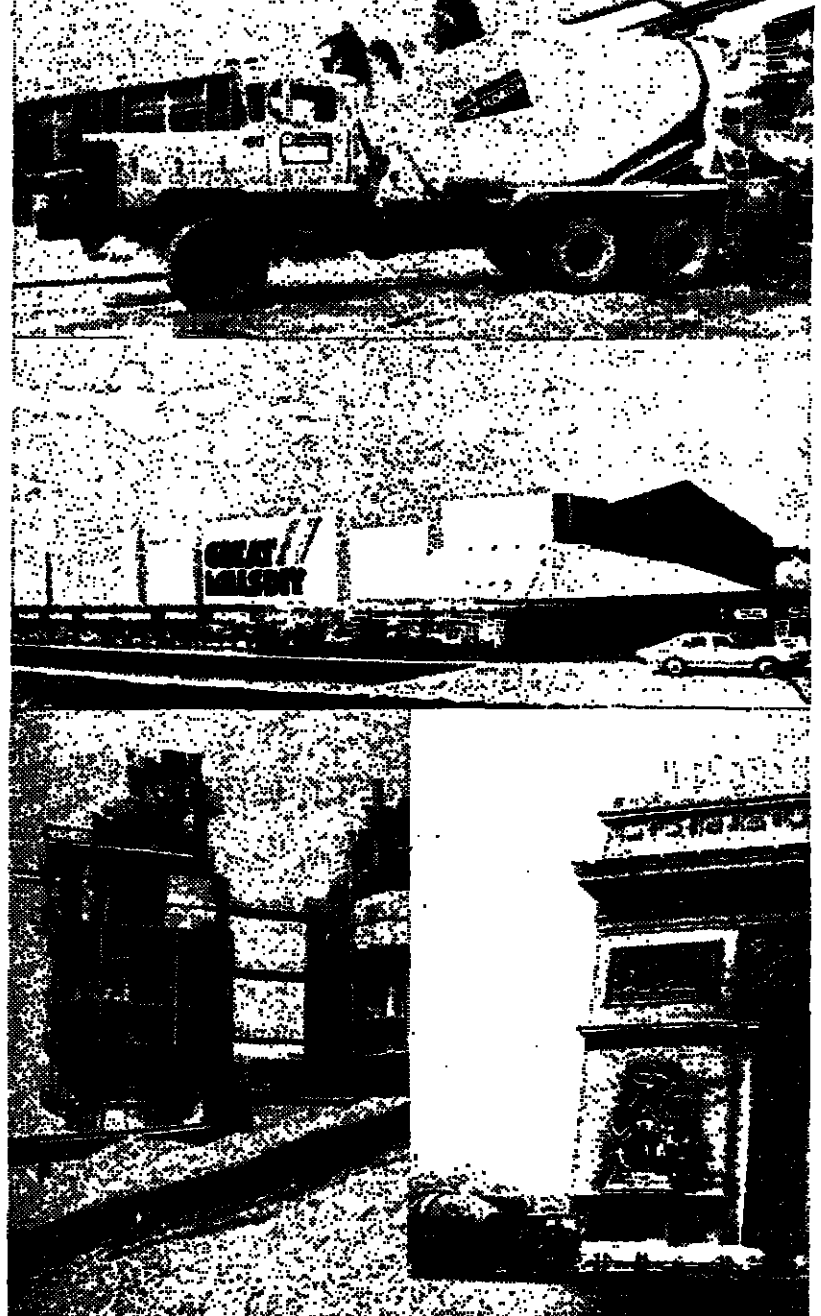
Attributable profits emerged at £2.82m, against a previous £2.22m, and earnings at 29.42p, compared with 23.16p, per 20p share.

A final dividend of 10p (8p) lifts the net total from 14.5p to 17p.

At December 25 1985 the group's investment properties were valued on an open market value at £62.41m (£50.94m). In July 1985 the City Corporation formally approved the grant of a new lease on Salisbury House, London, EC2, for a term of 125 years.

Sebba Holdings is interested in 28.38 per cent of Warnford's equity.





UK COMPANY NEWS

Blitz helps Holmes and Marchant to 70% rise

THANKS largely to a £256,000 contribution from Blitz Design and Graphics, acquired in January the Holmes and Marchant Group has lifted pre-tax profits for the six months to end-March 1986 by 70 per cent, from £450,000 to £763,000.

The group, which came to the USM a year ago, is based in High Wycombe, and is involved in sales promotion and graphic design.

The results of Blitz, which is on course to meet its targeted profit for the year, have been incorporated on a merger basis and the comparative figures are restated accordingly.

On earnings shown 65 per cent ahead at 10.7p (6.5p) per 10p share, the directors are paying an interim dividend of 2.5p. A single 2.2p dividend was paid for 1984-85, when profits reached £1.24m.

Group turnover for the half year improved by 51 per cent to £3.34m (£2.21m), generating an operating profit of £682,000 (£419,000). In the traditionally quieter first half its graphics and promotions subsidiaries both increased revenue by over 30 per cent.

The directors say this was achieved as a result of additional projects from existing clients as well as new business gathered since joining the USM. They are confident that the group as a whole will achieve continued growth in the second half.

Financial Statements, which began trading in October 1985, incurred start-up losses of £25,000 in the period. However, this company is now trading profitably and is expected to make a positive contribution to group results for the year.

A 40 per cent interest was also acquired during the half year in a newly-formed sales promotion company, Matrix Marketing & Promotions. Trading began in February, and, as expected, there were start-up losses, of which the group's share was £25,000. Matrix has already obtained a number of projects from its new client base, however, and the directors say this augurs well for its future profitability.

● comment

Holmes and Marchant's profits increase is open to a less favourable interpretation than the 70 per cent reported at the pre-tax level: take out a £290,000 upturn at Blitz and the interest received on the proceeds from the last year's placing and the figure falls to something nearer 10 per cent. To be fair, however, adding back in the start-up costs at Financial Statements and Matrix reveals an underlying growth in the core businesses of about 20 per cent — a satisfactory, if less spectacular, increase. With the loss-makers turning into break-even in the second half and more business coming both from old clients and from new ones such as Smiths Crisps, Coca-Cola and Fosters, the City is looking for about £1.9m for the full year, putting the shares on a prospective p/e ratio of 18.5 after a 39 per cent tax charge. The broadening of Holmes and Marchant's client base has reduced its vulnerability to the loss of larger clients, and the likelihood of further boosts to profits through acquisitions has the multiple looking reasonable for this highly rated sector.

Concentric maintains its rapid growth rate

Concentric, a manufacturer of controls and pumps for the automotive [illegible] industries, has maintained [illegible] 1984-85 rate of growth [illegible] the current year [illegible] way the current year [illegible] able profits of £2.3m [illegible] 47 per cent up on the [illegible] £1.65m last time.

The directors [illegible] expect that the [illegible] for the full year [illegible] also break [illegible] declared an interim [illegible] of 1.56p for the six months to March 29, an increase of 0.21p. Earnings rose from 3.22p to 4.0p.

Sales rose from £22.1m to £26.55m, and the directors say that the [illegible] nesses and [illegible] tration into world [illegible] enabled the company to take full advantage of the general improvements [illegible].

All group companies are trading well. [illegible] Moulds, acquired last November, has been [illegible] profit, and the board sees a "considerable future" for it.

The company also announced some important board changes yesterday. Mr Tony Firth has been elected chairman in addition to chief executive, replacing Mr John [illegible], who becomes his deputy. Mr John Crosland, a director of Robert Fleming Holdings, is to join the board as a non-executive director.

US boost gives Dataserv $6m

WITH THE computer maintenance and parts supply operations becoming the major profit contributor in 1985, Dataserv Inc. has lifted its pre-tax profit from US$3.45m to $6m (£3.88m) for the year.

In the current year the major element of growth is again expected to stem from that source ("earnings potential looks exciting") and taking the business as a whole, the directors are confident that 1986 will be another year of significant growth.

They are raising the dividend from 1.75 cents to 2.25 cents, with a final of 1.65 cents. Earnings per 5 cent share are 21.25 (13.34) cents.

Dataserv is registered in the US, but operates from and has a listing in the UK. Its gross revenue in 1985 expanded from $101.05m to nearly $139m and operating income from $6m to $10.76m.

Mr James Carr, the chairman, says profit growth in maintenance business has directly resulted from the investment in developing a stronger computer maintenance base in the US.

This rapid growth, together with the continued contribution from the sale and leasing of computer hardware, has resulted in over 70 per cent of the year's profits being generated in the US.

Earnings from computer hardware operations in the US were approximately in line with the 1984 performance. Per-tax earnings from the computer hardware business in Europe came to $1.24m ($1.58m), with operations in UK, Germany and the Netherlands all trading profitably.

A major shift towards operating leases is reflected in an increase in the net book value of portfolio of those leases from $34m to $70.4m. Since Dataserv accounts under US Generally Accepted Accounting Principles, the effect of the growth is to penalise 1985 profits to the benefit of later years.

● comment

When Dataserv first came to the USM it sold itself to the City as a computer leasing company keen to diversify into parallel fields. With this set of results it proved that the diversification programme is well developed and the shares rose by 20p to 190p. Peering beneath the gloss of the apparently effortless profits growth in the US, Dataserv's traditional territory—computer leasing in Europe—has declined. The decline is partly due to industry trends—to the emergence of IBM's own leasing operation in Europe—and partly to Dataserv's own problems in coming to terms with the trend towards operational and short-term leasing. The European problems are unlikely to evaporate, but US maintenance shows every indication of further growth. The City expects profits of $8m for a p/e of 10.5 for 1986. Although once Dataserv has established a European leasing operation and expanded into the Far East, it is likely to try to persuade the City to re-rate it as a computer maintenance, rather than a computer leasing, stock.

COMPANY NEWS IN BRIEF

GOVETT ENTERPRISE Investment Trust reports net asset value per share at 206.3p after prior chadges at market value at the end of the six months to April 30 1986, compared with 192p a year earlier. The interim dividend is heald at 1.15p with earnings per share at 1.54p (1.5p). Revenue net of £125,000 (£141,000) tax came to £247,000 (£241,000).

GOVETT ATLANTIC Investment Trust saw net asset value per share rise to 175.9p after prior charges at par, or 177.4p at market value, against 156.3p or 158.3p a year earlier. In the six months to the end of April 1986 net revenue increased to £1.49m (£1.24m) to give earnings per share of 1.72p (1.41p). An unchanged interim payment of 1.1p has been declared.

ROCK is purchasing Fixmodel, from Gregory and Sutcliffe. Consideration is £250,000 for assets of around £340,000.

FT LAW REPORTS

Dispute over control panel in Windsor Castle's boiler

SAUTER AUTOMATION LTD. v H. C. GOODMAN (MECHANICAL SERVICES) LTD. AND ANOTHER

Chancery Division: Mr Justice Mervyn Davies: May 9 1986

INCORPORATION OF the terms and conditions of a building contract into a sub-contract excludes conditions in the sub-contract which are inconsistent with the main contract; and if the incorporated main contract provides that any sub-contract should include a term that ownership of goods on site shall vest in the main contractor, the sub-contractor cannot assert ownership though no such term was inserted in the sub-contract, if he knew or should have known that it was required under the main contract.

Mr Justice Mervyn Davies so held when refusing an application by Sauter Automation Ltd for interlocutory relief in its action against H. C. Goodman (Mechanical Services) Ltd and Goodman's liquidator, Mr Laurence J. Gerrard. In the action Sauter claimed a declaration that it owned equipment delivered to Goodman's, and payment of the proceeds of sale of the equipment by Goodman to another. The interlocutory relief sought was to restrain disposal of the equipment or proceeds of sale pending trial of the action.

* * *

HIS LORDSHIP said that on June 6 1985 the Property Services Agency (PSA) accepted a tender by Goodman for boiler plant replacement works at Windsor Castle.

The contract incorporated the General Conditions of Government Contracts for Building and Civil Engineering Works, form GC/Works/1, edition 2 with amendment No. 4.

When accepting Goodman's tender the PSA approved the use of Sauter as sub-contractor to supply "all new controls."

In the meantime, on April 10 1985, Sauter submitted a quotation to Goodman for *supply of a control panel and* ancillary equipment in relation to the boiler work.

Goodman accepted Sauter's quotation. The work went ahead. Sauter delivered most of the equipment but had not yet been paid.

Goodman fell into financial difficulties and in December 1985 a liquidator was appointed.

The PSA determined its contract with Goodman. It intended, however, to use the equipment supplied and engaged other contractors to continue the installation. It intimated to the liquidator its intention to pay him for the equipment, but as yet no payment had been made.

In those circumstances Sauter claimed a declaration that it still owned the equipment, and sought an interlocutory order to stop disposal of it pending trial, or to set aside any proceeds of sale of the equipment by Goodman to PSA.

Sauter founded its claim on its quotation of April 10, which was made "subject to our standard conditions of sale, a copy of which is enclosed."

Condition 7 of those standard conditions provided that Goodman *should be liable for all* risks in the goods from time of delivery, but title in the goods should remain with Sauter until payment had been made in full.

Goodman accepted the tender on June 10 on "terms and conditions in accordance with main contract GC/Works/1, edition 2 plus amendment No. 4 (see form of contract attached)."

Sauter said the acceptance order amounted to acceptance of its offer to supply on terms and conditions mentioned in its quotation, including condition 7.

Goodman contended that condition 7 was never incorporated in the contract, and that the acceptance order, which did not refer to Sauter's conditions, was a counter-offer on the terms and conditions of the main contract. It was said that such counter-offer was accepted by Sauter's having delivered the equipment.

The GC/Works/1 conditions had no clause on the lines of condition 7. It was said for Goodman that even if the Sauter conditions were incorporated there was no incorporation of condition 7 because there could only be incorporation of those conditions which were not inconsistent with the main contract.

Condition 30(2) of GC/Works/1 provided that every sub-contract should include a provision that from commencement to completion of the sub-contract "all things for incorporation belonging to the [sub-contractor] which are brought on the site in connection with the sub-contract shall vest in the contractor.

*Sauter condition 7 was a re*tention of title clause. If it was not incorporated in the Sauter/Goodman contract, Goodman was not entitled to the relief claimed.

The first question was whether it had been incorporated.

The words "terms and conditions in accordance with main contract GC/Works/1 plus amendment No 4 (see form of contract attached)" in the Goodman order, plainly intimated to Sauter that the "order" was an offer to contract on the terms and conditions mentioned, not on Sauter terms and conditions.

What was offered was a sub-contract consistent with the terms of the main contract. There should be no conflict between the main contract and the sub-contract.

Goodman was making a counter-offer which killed the Sauter offer. Sauter accepted the counter-offer by proceeding to execute the Goodman order. Accordingly, there was no incorporation of condition 7 or any other Sauter condition.

Even considering the matter on the footing that both sets of conditions were incorporated with GC conditions prevailing in case of inconsistency, clause 7 could not have any operation. Sauter knew of condition 30(2) (a) of GC/Works/1, or had an opportunity of knowing it from when it received the Goodman order. The order expressly referred to the GC conditions.

Thus Sauter must be taken to have known that Goodman was under an obligation to the PSA to vest in itself such materials as Sauter delivered to the site.

Goodman's did not expressly *exact from Sauter such a provision* as was mentioned in 30(2)(a). Nevertheless, Sauter must be taken to have known that PSA and Goodman desired sub-contractors' materials to vest in Goodman once on site.

In that situation condition 7 could have no operation, given that GC conditions prevailed over Sauter conditions.

A further consideration was that condition 3(1) of the GC conditions nullified Sauter condition 7.

Condition 3(1) read ". . . any things . . . brought on the *site in connection with the contract* and which are owned by the contractor . . . shall become the property of and vest in the Authority . . ."

If that was read as a term of the Sauter/Goodman contract, as it might be, the reference to "contractor" was taken as Sauter, and the reference to "Authority" was taken as Goodman.

Thus general condition 3(1) was a term subsisting between Sauter and Goodman. On that footing Sauter condition 7 could not stand along general condition 3(1).

Mr Collins, for Sauter, conceded that as the equipment had been incorporated into the boiler system it had acceded to the realty so that on any footing Sauter condition 7 could not operate to retain title for Sauter. He submitted that in the event of the liquidator receiving any money from PSA, Sauter ought to be entitled to appropriate out of the money such sums as could be identified as having been paid for the equipment.

If for present purposes it was assumed that condition 7 applied and that Mr Collins's submission as to "sums received" were sound, Sauter should still not be given relief. The position at present was too uncertain. An order could be contemplated only if there was some prospect of the liquidator receiving from the PSA money which could reasonably be regarded as proceeds of sale of the equipment.

It was premature to consider the character of any money he might receive when the circumstances in which payment might be made were unknown.

The motion was dismissed.

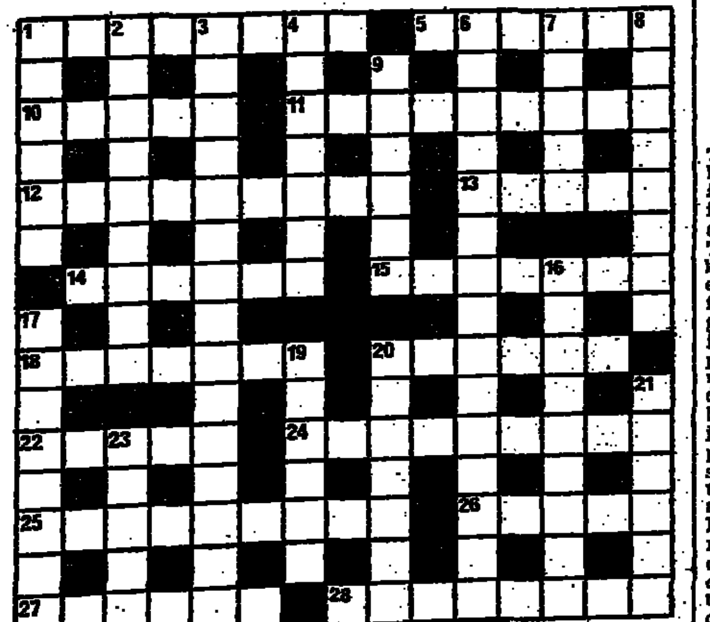
For Sauter: MG Collins (Bristows, Cooke & Carpmael).

For Goodman and the liquidator: Richard Sheldon (Wm F. Prior & Co).

By RACHEL DAVIS, Barrister

F.T. CROSSWORD PUZZLE No. 6,021

DINMUTZ



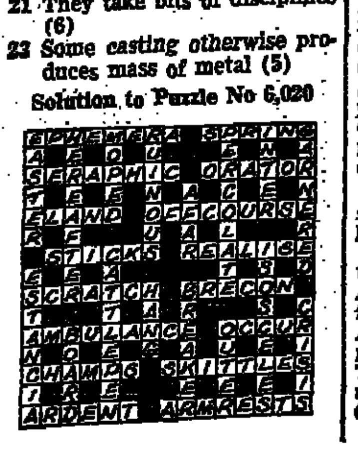
ACROSS

1 Knave, perhaps, to confront Denry Machin? (4-4)
5 Vent-peg turned to pigs (6)
10 Perfect voice? (5)
11 Clue women solved is rejected (9)
12 Old sling? Ay, there's the rub, etc.—outrageous! (9)
13 Bar of the bar? (5)
14 Getting touchdown around goal is stylish (6)
15 Manipulates titles (7)
18 A Ravel piano composition can be a time-consuming affair (7)
20 This shoe has a black heel (6)
22 Regretting collapse by gang-leader (5)
24 Deep cut more dated as an Oval feature (9)
25 Fair lady carrying a gun for game (9)
26 Euclid's fifth proposition is perfect in conception (5)
27 Consumers of apples, say? (6)
28 Best government advocates? (8)

DOWN

1 Geologists' errors (6)
2 See herald act oddly here in Coventry, say (9)
3 Latin-derived name for Chichester (15)
4 Railway carries Hugo uncomfortably and discourteously (7)
6 His work with fossils releases total gas in Poole (15)
7 Spirit of Grant's first army (5)
8 Very French to approve sin (8)
9 Swapt a hair-piece (6)
16 Washerwoman in a French strip (9)
17 Admitting of theatre-cuts? (8)
19 Treat like a King on earth (6)
20 Box-office surge to see the biographer (7)
21 They take bits of disciplines (6)
23 Some casting otherwise produces mass of metal (5)

Solution to Puzzle No 6,020



CONTRACTS

£24m Mauritius airport work for Plessey

The Government of Mauritius has awarded a contract worth £24m to **PLESSEY AIRPORTS** for the redevelopment of the country's international airport. This project is regarded as a key element in the country's economic development plan, facilitating expansion of its fast-growing tourism industry. Within 10 years the number of passengers using Plaisance International Airport is expected to double, reaching 1m per annum by 1995. An even greater increase in freight traffic is predicted to occur during the same period, rising from 8,600 tonnes to 18,000 tonnes per annum. As the prime contractor, Plessey will have turnkey responsibility for the airport development project, including *civil works design and construction*, as well as the direction, co-ordination and management of British equipment and services.

The civil engineering work will involve construction of all new aircraft movement areas, including taxiways and aircraft parking apron. The development will require demolition of existing facilities, construction of several buildings, provision of airside roads, service roads and car parks and construction of surface water drainage, water supply and sewage disposal systems.

Related equipment and services to be provided by Plessey Airports will include three passenger air bridges, an airport power generation and distribution system, aeronautical ground lighting and road lighting, navigational aids, communications equipment, a telephone exchange and network, a fixed ground power system to aircraft parking aprons, fitting out and equipping various buildings and provision of airport and emergency service vehicles.

Kier International will act as sub-contractor for the civil and building construction works.

The UK content of the contract has been financed under an Aid and Trade Provision (ATP) from the Overseas Development Administration and a credit package arranged by Citicorp. The credit package has been underwritten by the UK Export Credits Guarantee Department.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

AUTHORISED UNIT TRUSTS & INSURANCES

Sentinel Funds Mngmnt Ltd
30 City Road, London EC1Y 2AY 01-628 6626

American Majors	67.4	72.1	+0.1	1.12
Amer Tech & Genl Fd	100.6	107.6	-0.3	0.56
European Growth	30.2	32.3	-0.1	0.03
European Income	35.5	38.1	+0.5	5.00
Exempt	538.7	576.4		2.03
Intnl Growth Fd	30.4	32.5	-0.3	0.13
International Income	56.3	60.2		4.96
Jap Tech & Genl	93.5	100.0	-0.9	0.01
Pacific Fund	161.1	172.3	-3.7	0.01
Secure Income Fd	174.3	186.5	+2.0	4.54
Small Co's Fd	37.6	40.2	+0.1	1.45
Special Sits	213.8	228.8	+2.8	2.18
UK General Fund	34.2	36.6	+0.8	2.32

Standard Life Trust Mgmt. Ltd
3 George St, Edinburgh EH2 2XZ 0800 393777

Managed Trust Acc	23.3	25.0		3.0
UK Equity Gth Tst Acc	23.3	25.0		2.0
UK Equity High Inc Inc	23.3	25.0		5.00
UK Equity Gen Tst Acc	27.5	29.5	+0.2	2.99
UK Equity Gen Tst Inc	24.9	26.7	+0.2	2.99
Gilt & Fxd Int Tst Inc	23.3	25.0		2.0
Nth Amer Tst Acc	23.3	25.0		0.75
Far East Trust Acc	23.3	25.0		0.75
European Trust Acc	23.3	25.0		1.25

Stewart Ivory Unit Trust Mgrs Ltd (a)
45 Charlotte Sq, Edinburgh 031-226 3271

American Fund	216.0	230.0	-0.5	2.36
(Accum. Units)	242.6	258.3	-0.6	2.36
(Withdrawal Units)	151.6	161.5	-0.3	2.36
Australian Fund	113.7	121.1	-4.7	1.09
(Accum. Units)	117.1	124.7	-4.9	1.09
British Fund	587.7	625.9	-5.1	4.33
(Accum. Units)	791.6	843.1	+6.9	4.33
European Fund	271.2	288.8	-1.59	0.90
(Accum. Units)	285.6	304.1	-1.7	0.90
Japan Fund	280.6	298.3	-3.7	0.25
(Accum. Units)	282.0	300.3	-3.7	0.25
Sants PEP	165.1	173.8		—

Sun Alliance Fund Management Ltd
Sun Alliance House, Horsham 0403 56293

Equity Tst	387.2	411.9	+4.4	2.21
North America	56.3	59.8	+0.1	1.08
Far East	70.7	75.2	-1.3	0.50

Sun Life Trust Mgmt. Ltd
107 Cheapside, London EC2V 6DU 01-606 6010

American Growth Acc	31.9	33.9		1.4
American Income Acc	30.5	32.4	+0.1	5.5
American Income Inc	30.0	31.9	+0.1	5.5
European Growth Acc	48.7	51.8	-0.6	0.8
European Income Acc	23.5	25.0	-0.3	4.5
European Income Inc	23.5	25.0	-0.3	4.5
Far East Growth Acc	39.4	41.9	-0.5	0.6

Abbey Life—Continued
Pension Funds

Property	350.5	369.0	+0.2	—
Equity	762.1	802.2	+7.0	—
Selective	248.4	261.5	+1.2	—
Managed	612.0	644.3	-0.4	—
Security	328.4	345.7	+0.7	—
Fixed Int.	202.6	213.3	-2.7	—
European	177.1	186.5	-0.4	—
American	217.6	229.1	+0.6	—
Japan	225.0	236.9	-4.3	—

Aetna Life Insurance Co Ltd
401 St John St, London EC1V 4QE 01-833 2303

Life Funds (Accumulator Units)

Squirrel	10.44	10.99		—
Bear	11.21	11.81	-0.03	—
Owl	11.78	12.41	+0.08	—
Bull	12.70	13.37	-0.05	—
Stag	12.43	13.09	-0.02	—
Gilt-Edged	11.15			—
Deposit	9.62			—

Pension Funds (Accumulator Units)

Squirrel	11.04	11.63	+0.01	—
Bear	12.02	12.66	-0.09	—
Owl	12.74	13.42	+0.11	—
Bull	14.11	14.86	-0.06	—
Stag	13.84	14.57	-0.02	—
Gilt-Edged	11.18			—
Deposit	9.70			—

Exempt Approved

Mixed Managed	131.29	133.97	+0.56	—

Albany Life Assurance Co Ltd
3 Darkes Lane, Potters Bar 0707 42311

Equity Fd Acc.(z)	702.6	739.5	+0.1	—
European Fd Accum(z)	194.3	204.5	-0.4	—
Fixed Int. Acc (z)	305.2	321.2	+0.2	—
Gtd. Money Fd. Ac.(z)	196.4	206.7	+0.1	—
Intl Man Fd Acm.(z)	293.2	308.6	-0.5	—
Intl Fxd Int Fd Acc(z)	176.2	185.4	+0.2	—
Japan Fund(z)	226.3	238.2	+0.3	—
Nth American Fd Acc(z)	163.4	171.9	-0.4	—
Prop Fd Acc.(z)	198.8	209.2	+0.1	—
Multiple Inv Acc.(z)	495.9	522.0	-0.1	—

Pension Funds

Eq Pen Fd Acc(z)	1262.5	1328.9	+0.2	—
Euro Fd Acc(z)	249.4	262.5	-0.7	—
Fixed Int. Acc.(z)	572.4	602.4	+0.5	—
Gt Money Pn Acc(z)	317.2	333.8	+0.3	—
Intl Man Fd(z)	410.3	431.8	-5.2	—
Jap Pen Fd Acc(z)	301.6	317.4	+0.3	—
N Am Pn Fd Acc(z)	188.8	198.7	-0.6	—
Property(z)	290.6	305.8	+0.1	—
Mtple Inv Pens Acc(z)	917.1	965.3	-0.3	—

INSURANCES

INSURANCE, OVERSEAS & MONEY FUNDS

Baring Fund Managers (Guernsey) Ltd
PO Box 71, St Peter Port, Guernsey 0481 26541
Baring Currency Fund Ltd

US Dollar	$10.65			—
Sterling	£11.00			—
Deutschemark	DM31.06			—
Japanese Yen	Y3,158			—

Baring International Group
1901 Edinburgh Tower, Hong Kong 01-588 6133

Australia	$14.25	15.36		0.10
Hong Kong	$15.87	17.07	-0.36	2.70
Japan Tech	$44.28	47.30	+0.05	0.76
Japan Fund	$80.01	85.48		0.20
Malay Sing	$13.22	14.25		1.00
Pacific Fd	$21.885	22.979		1.5
Pacific Intl Fd	$14.95	15.68	-0.16	—
Bond Fd	$13.380	14.049		8.54

Barrington Mgmt (CI)—Barrington Fd
Kleinwort Benson Hse, St Helier, Jersey 0534 78066

Inc May 8	156.0	163.0		4.20

Bishopsgate Commodity Ser. Ltd
PO Box 42, Douglas, IoM 0624 23911

ARMAC* May 6	$95.98	101.41		—
COUNT** May 6	£5.258	5.576		—

Original issue *$10 and **£1. Next value June 2

Brazil Capital Services Ltd
48 St Vincent St, Glasgow G2 5TS 041-204 1249

The Brazil Fund	$17.30			—
Brazilian Lq. Hldgs	$7.19			—

Bridge Management Guernsey Ltd(a)(c)(h)
PO Box 311, St Peter Port, Guernsey, CI 0481 710711

Vickers da C Bond Acc	1.557	1.581		—
Vickers da C Bond Inc	1.375	1.384		11.00
Worldwide Cap Fd Acc	1.706	1.796		—

Bridge Management Ltd
GPO Box 590, Hong Kong

Nibuis April 30	Y5840	6000		5847
Nippon Fd May 7	$54.02	56.58		0.53

Britannia Intl. Investment Mngmt Ltd
Box 271, Queensway House, Queen Street, St Helier, Jersey CI 0534 73114
All Jersey funds deal daily
Sterling Denominated Income Funds

Eurolife Assurance Group
5-11 Mortimer St, London W1N 7RH 01-631 0778

Sterling Eurobond Fd	118.6			—
Intnl Eurobond Fd	117.0			—
Discretionary Fund	103.1			—

S.G. Europe Obligations SA
9 Avenue de la Liberte, Luxembourg
London Agent: FFS, Salisbury House, London Wall EC2M 5TA Tel. 01 920 0776 Telex 887282

Europe-Obligations	$68.01			1.35

Eurotax Investments Ltd
1 Athol Street, Douglas, Isle of Man
UK Agents FIS St Albans 0727 41122

Eurotax In.Fd	106.76	112.39		—

Fidelity International
9 Bond St, St Helier, Jersey CI 0534 71696
Dealers: 33201. PO Box 670, Hamilton, Bermuda

American Assets (z)	$94.76	99.50	+0.01	0.43
Am Val II Com Apr 30	$66.31		+1.31	—
Am Val II Pvt Apr 30	$101.50		+0.24	3.00
Australia (z)	$12.89	13.53	+0.12	—
$ Bond Fund (z)	$5.66	5.90	-0.04	9.40
Discovery Fund (z)	$13.51	14.19	-0.01	0.15
Dollar Savings Tst (z)	$13.241		+0.02	6.17
Far East (z)	$37.81	39.70	-0.08	0.1
Frontier (z)	$18.37	19.29	+0.02	—
International (z)	$109.06	114.51	-0.92	0.06
Orient Fund (z)	$52.53	55.10	-0.11	—
Pacific (z)	$206.87	213.16	-0.36	0.55
Special Growth (z)	$21.65	22.73	+0.06	0.42
World (z)	$53.40	56.07	-0.26	0.75
Gilt Fund (z)	78.70	78.80	-0.10	9.50
American Inc Tst (z)	98.9	104.7	-0.2	5.70
Intnl Inc Tst (z)	109.2	116.2	+0.5	4.90
$ Fixed Int. Tst (z)	59.0	61.9	-0.5	10.00
Sterling American (z)	99.7	106.1	+0.7	—

Fleming Group
London Agents R.F., 25 Copthall Ave EC2 01-638 5858

Fleming Amer Fledg	$19.16	20.05	+0.18	—
Fleming Japan Fund	$140.075	146.595	+10.563	—
Fleming Internatl Fd	$18.28	19.03	+0.19	—

Forbes Securities Management Ltd
PO Box 887, Grand Cayman, BWI
London Agents. 01-839 3013

OFFSHORE AND OVERSEAS

Money Market Trust Funds

Money Market Bank Accounts

Tyndall & Co
29-33 Princess Victoria St, Bristol 0272 732241

Demand Acc	9.96	7.44	10.78	Qtr
Money Acc	10.20	7.62	11.05	Qtr

J. Henry Schroder Wagg & Co Ltd
Enterprise House, Portsmouth 0705 827733

Special Acc	9.75	7.29	10.61	Mth
Over £10,000	10.00	7.48	10.90	Mth

Western Trust & Savings Limited
The Moneycentre, Plymouth PL 1SE 0752 24141

High Int Chq Acc	10.56	7.89	11.45	Qtr

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. * Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ⊕ Yield column shows annualised rates of NAV increase ad ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	28	Marks & Spencer	18
BAT	38	Midland Bk	44
BOC Grp	32	NEI	11
BSR	14	Nat West Bk	70
BTR	45	P & O Dfd	45
Babcock	20	Plessey	20
Barclays	45	Polly Peck	16
Beecham	32	Racal Elect	17
Blue Circle	55	RHM	20
Boots	26	Rank Org Ord	48
Bowaters	30	Reed Intnl	75
Brit Aerospace	48	Sears	12
Brit. Telecom	17	TI	42
Brown (J.)	3	Tesco	30
Burton Ord	32	Thorn EMI	35
Cadburys	17	Trust Houses	12
Charter Cons	22	Turner Newall	18
Comm Union	28	Unilever	120
Courtaulds	26	Vickers	40
Distillers	52	Wellcome	19
FNFC	15	**Property**	
Gen Accident	75	Brit Land	26
Gen Electric	17	Land Secs	30
Glaxo	100	MEPC	32
Grand Met	34	Peachey	24
GUS 'A'	75	Samuel Props	18
Guardian	75	**Oils**	
GKN	32	Brit Oil & Min	$2\frac{1}{2}$
Hanson Tst	16	Brit Petroleum	48
Hawker Sidd	52	Burmah Oil	30
ICI	50	Charterhall	3
'Imps'	28	Premier	$3\frac{1}{2}$
Jaguar	27	Shell	55
Ladbroke	32	Tricentrol	15
Legal & Gen	79	Ultramar	18
Lex Service	38	**Mines**	
Lloyds Bank	55	Cons Gold	40
Lucas Inds	60	Lonrho	25
		Rio T Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Further platinum deficit predicted

BY ANDREW GOWERS

WESTERN DEMAND for platinum exceeded supply last year for the first time since 1981, and is likely to do so again in 1986, although probably by a smaller margin, according to Johnson Matthey.

In its annual review of the metal*, published today, the company estimates demand last year at 2.81m ounces and supply at 2.74m oz. The demand figure was somewhat below that in the peak year of 1979, but 180,000 oz above the 1984 figure and means, after taking account of Western sales to China and to Comecon countries, that there was a 100,000 oz shortfall last year. Supply was also close to record levels, although below the peaks of 1979 and 1980.

Johnson Matthey, which is among the world's leading distributors and consumers of platinum group metals, has been persistently bullish about the prospects for the metal for some time.

Demand is generally expected to rise in the vehicle industry, which is fitting an increasing number of its products with catalytic convertors to reduce exhaust emissions. Last year, prices rose steeply against a background of concern about unrest in South Africa, which last year accounted for 85 per cent of total supply to the West.

Hoarding of platinum and use in autocatalysts and in jewellery were mainly responsible for the growth in demand last year. Japan remained the largest single market, accounting for about 44 per cent of total Western world demand, with over half of its import total being used in the jewellery industry.

In the US, which accounts for between 35 and 40 per cent of Western demand, platinum purchases were fuelled by a year of record car sales, while hoarding also increased rapidly.

Company executives acknowledge that demand is not performing as well this year in either country. In the first quarter of 1986, for example, Japanese platinum imports were down from the same period last year by between 40 and 45 per cent, and the US auto industry's sales are not so strong. Mr Geoff Robson, the author of the report, says that if the American car industry does not boost sales later in the year, it may leave a dent of between 100,000 to 200,000 ounces in overall consumption.

However, Johnson Matthey continues to point to a steady rise in demand in Europe, as the EEC moves to implement tighter vehicle emission standards. It expects demand to start moving strongly upwards in 1989 and reach a peak in about 1993, with 300,000 to 400,000 ounces of additional annual demand.

On the supply side, Johnson Matthey says both the major South African producers were almost certainly working close to their full capacity last year, and are unlikely to be holding large stocks.

Sales by Rustenburg, the largest producer, were actually lower in the second half of 1985 than a year earlier, but the report says it may succeed in raising supplies again in 1986 "by squeezing every last ounce out of its present facilities."

However, Impala, the second largest miner, has been hard hit by the strike in January, as a result of which it dismissed two thirds of its workforce and was forced to buy metal in the market in order to fulfil its contractual obligations. Although it has since been allowed to return to normal production, Johnson Matthey says that Impala has suffered a significant drop in production which it will not be able to recoup later in the year.

A major question-mark hangs over Soviet sales of the metal to the West, which fell last year for the third year in succession.

Mr Robson said the reasons for the drop in sales are obscure, but it may reflect stockpiling or increased industrial demand within the Comecon bloc. However, the Soviets may be forced to sell additional platinum this year if it is available in order to make up for falling oil revenues and to pay for a possible increase in grain imports following the Chernobyl disaster, he said.

Platinum 1986: available free from Johnson Matthey, New Garden House, 78 Hatton Garden, London EC1N 3JP.

WESTERN WORLD SUPPLY AND DEMAND
('000 troy ounces)

	1979	1980	1981	1982	1983	1984	1985
Supply							
South Africa	2,180	2,320	1,800	1,960	2,070	2,280	2,320
Canada	130	130	130	120	80	150	150
Soviet sales	440	340	370	380	290	250	230
Others	30	30	30	30	40	40	40
Total	2,800	2,820	2,330	2,490	2,480	2,720	2,740
Demand							
Western Europe	430	290	420	330	330	410	380
Japan	920	490	1,150	1,050	950	1,140	1,230
North America	1,340	980	700	710	720	910	1,030
Rest of Western World	160	120	160	230	180	170	170
Western sales to Comecon/China	30	30	30	30	20	30	30
Total	2,880	2,360	2,460	2,350	2,200	2,660	2,840
Stock movement	−80	+460	−130	+140	+280	+60	−100

Source: Johnson Matthey

Oils and fats production rise forecast

WORLD PRODUCTION of the 17 major oils and fats is expected to reach 33.95m tonnes during the April/September period of this year compared with 33.25m in the same 1985 period, according to the Hamburg-based newsletter Oil World, reports Reuter.

This season's (October/September 1985/86) world output is put at 69.78m tonnes, up from 66.82m the previous season. Of that increase 2.1m will be on account of palm and lauric oils, it said, with most of the remaining increase in soyabean, rapeseed and sunflower oils.

World disappearance of the 17 major oils and fats in the second half of this season is likely to rise to 34.09m tonnes from 32.94m a year ago.

Drought threatens US crops

BY NANCY DUNNE IN WASHINGTON

FARMERS in the American south-east and parts of the south-west are enduring one of the driest early planting seasons ever recorded.

While the drought is not likely to make much of a dent in the total US grain crop individual farmers in the mid-Atlantic states of Florida, Georgia, the Carolinas and Virginia are particularly hard hit, and there is no early relief in sight, according to Dr Norton Strommen of the US Department of Agriculture's weather service.

The dry spell results from an "accumulation of moisture deficits" in progress since December, Dr Strommen said. Although a few isolated showers have been reported the forecaster does not see the "good rain" which is desperately needed in the near future.

At risk now are winter wheat yields in west Texas, Nebraska, south-east Colorado and the Oklahoma Panhandle. The Georgia peanut farmers, who produce 41 per cent of the nation's crop, have been able to plant just 27 per cent of their crop, compared with 60 per cent at this point last year.

Planting of Mississippi cotton has been slowed by lack of rain and cool nights, and the harvest of South Carolina's 300,000-acre wheat crop could be cut in half. Planting of maize has also been held back.

However, according to Dr Strommen, excellent weather conditions exist elsewhere in the US, particularly in the delta region extending from the boot-hills of Missouri to West Tennessee.

In its crop report late Monday, the USDA predicted an abundant global wheat harvest of 510m tonnes, up 1 per cent from last year. In the US, farmers may harvest 59.3m tonnes of wheat, down 10 per cent, mostly because of the acreage reduction programme.

In another report, prepared before the Chernobyl disaster, the USDA forecast the Soviet wheat harvest at 80m tonnes, down 4 per cent from last year.

The malaise of Malaysian tin

BY WONG SULONG IN KUALA LUMPUR

A CHINESE tin miner, who until recently lived in a large bungalow in Ipoh—centre of Malaysia's tin mining industry—and owned a fleet of cars, including two Mercedes-Benz, is today helping his wife to sell fruits by the roadside.

This is one example of the decline in the fortunes among Malaysian tin miners, following the collapse of prices for the metal. Many miners have gone bankrupt.

"Ipoh used to export only tin, and that was enough. Now we are exporting gangsters, and bar girls," complained a leader of the Chinese comunity in this city of 250,000 people.

It is more than six months since the International Tin Council abandoned its price support operations, and it is clear to everyone that the tin market is now a free-for-all, where only the fittest will survive.

Tin is currently selling at about 14 ringgit a kilo (£3,500 a tonne), less than half the ITC-supported price.

The impact of this on the Malaysian tin industry has been predictably severe.

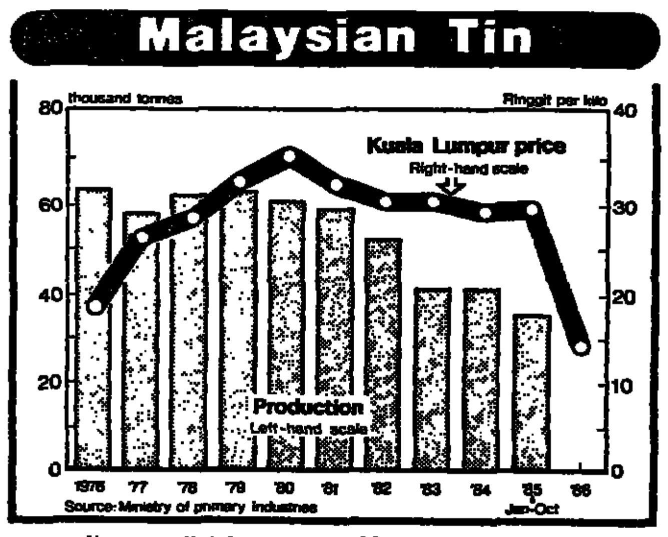
At Malaysian Mining Corporation, the country and world's largest tin mining group, 20 of the 40 dredges have been idle for the past three years. They float silently on placid lakes, from the beds of which they used to scrape tin-bearing deposits.

Many of these idle dredges have been victims of tough export controls imposed by the ITC. Even though export restrictions have recently been lifted, the dredges will remain idle because it is no longer economic to put them to work.

Tin and rubber were the twin pillars of the Malaysian economy for almost a century. As recently as 15 years ago, tin accounted for nearly 20 per cent of the nation's exports. Last year, its share had fallen to 3 per cent.

In 1982, there were 626 active mines in Malaysia, employing 28,400 workers. At the end of last year, there were only 235 mines, with a workforce of 15,700. Since then, more mines have closed and the workforce is down to less than 11,500.

Malaysian tin production peaked at 76,800 tonnes in 1972, and has been declining steadily to only 36,880 tonnes last year.



According to official surveys, most of the 12,000 mine workers thrown out of jobs since the price collapse last October have found alternative ways of making ends meet.

The bulk of them are Chinese, and they are a tough and resilient lot. Many have turned to vegetable farming, hawking, work as construction labourers or have started backyard factories. Others have gone into the less desirable activities referred to by the community leader.

But the haemorrhage is by no means over. Tin prices are not expected to rise appreciably above current levels for the next two to three years because of the surplus of 100,000 tonnes of the metal on the world market.

Malaysia is a high-cost producer because of its relatively high labour costs and low grades of ore. Production costs for the gravel pumps average R18 a kilo, and between R14 and R15 for the dredges.

An official survey has shown that if the tin price is at R17 a kilo, Malaysia will only be able to produce 7,400 tonnes of tin a year. At R18.5 13,000 tonnes and R20 19,000 tonnes, production capacity is now 60,000 tonnes.

Malaysian miners believe prices are likely to be closer to R20 a kilo, give a year or two, and at that price many of them can survive.

They want the government to help them during this critical period by giving soft loans and buying some of their tin at guaranteed prices. The Primary Industries Ministry has shown sympathy for their plight with its four-point survival plan, but the government is strapped for cash because of equally depressed prices of other export commodities.

For this year, Malaysia should still be able to export about 30,000 tonnes of tin, because of stocks at the smelters and mine heads. Nobody knows what is going to happen next year.

The declining fortunes of the tin industry is reflected in the performance of the 23 tin mining companies listed on the Kuala Lumpur Stock Exchange.

At the end of 1983, they had a market capitalisation exceeding R2.5bn. Just before the ITC suspended its price support operations last October, their market capitalisation had already fallen to R1.7bn, and today their market is worth around R1bn.

Many of these tin companies have diversified into other businesses, particularly property development.

In the case of Malaysia Mining Corporation, the group is diversifying into the mining of other minerals, engineering and trading.

It is looking for gold and copper in Kelantan and Pahang states, and through Ashton Mining, it has a 17.7 per cent stake in the giant Argyle diamond mine in Western Australia.

MMC is also using its engineering expertise to service the Malaysian oil and gas industries, while it has been appointed by the Government as the country's sole coal importer.

Its results for the year to January 1986 have not been released, but profits are expected to be sharply down from last year's pre-tax level of 63m ringgit, and most of the earnings will come from its investments in Ashton and Sime Darby, the plantation group.

To remain competitive in tin mining, MMC intends to consolidate its mining units which have substantial ore reserves, while divesting its interests in companies with limited reserves.

The group has put off indefinitely plans to develop the giant Kuala Langat tin fields because of high costs.

Cookson Group wins Brazilian marketing rights

BY ANDREW GOWERS

THE COOKSON GROUP, which claims to be the largest Western consumer of tin, has obtained the marketing rights for metal produced by Paranapanema, Brazil's biggest tin-mining company, in a deal designed to reintroduce some stability to the market following the collapse of the International Tin Council.

The two companies have signed an agreement giving Cookson exclusive rights to sell Paranapanema's tin in North America and Europe. Up to now, Paranapanema, which produced an estimated 18,500 tonnes of tin last year, has used traders to sell its production. But under the deal announced yesterday, Cookson will handle between two-thirds and three-quarters of the total — either consuming the metal itself or passing it through its large distribution network.

Cookson consumes between 15,000 and 16,000 tonnes of tin a year in Europe, North America and South Africa, mainly in the production of electronic and industrial solders, pewter and special metals used in printing.

The company said yesterday that it hoped in some measure to "fill the vacuum created by the cessation of operations by the International Tin Council and the suspension of tin trading on the London Metal Exchange."

Although prices have fallen from a pre-suspension level above £8,000 a tonne to well below £4,000 and the large overhang of tin stocks is likely to keep prices depressed for some time to come, Cookson said it believed the recent fall had been overdone. "We hope to get it back up to £6,000 to £7,000 beyond the next 18 months to two years, when a lot of capacity has gone out of the mining industry," said a company executive.

Paranapanema, which produces tin under the brand name of Mamore, is one of six Brazilian tin companies and is responsible for about 70 per cent of the country's total output. Brazil was not a member of the International Tin Agreement, but has rapidly grown in importance as a producer.

LONDON MARKETS

COFFEE futures values sustained further heavy losses on the London market yesterday as Colombia's announcement at the weekend of a cut in its export registration price continued to encourage short-sellers. The July position, which on Monday added £139 to last week's £126 decline, fell another £96 to £1,902.58 a tonne — the lowest second position close since the end of November. An overnight permissible limit fall in the New York market influenced the initial decline and values fell further when US market opened limit-down again yesterday. London prices moved marginally higher near the close reflecting profit-taking buying. In early dealings cocoa values added a few pounds to Monday's gains encouraged by a statement by Mr Denis Bra Kanon, the Ivory Coast's Agriculture Minister, casting doubt on the quality of the beans held in the International Cocoa Organisation's stockpile. But a weaker tone in New York and reports of sales by the Cameroons combined to push values lower and the July position closed £12.50 down on the day at £1,293 at tonne.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	768.5-7.5	−4	762.5/761
3 months	757-7.5	+6.75	761/751

Official closing (am): Cash 763-4 (767-7.5), three months 754.5 (752-2.5), settlement 764 (767.5). Final Kerb close: 759.5-60. Turnover: 17,225 tonnes.

COPPER

LEAD

NICKEL

TIN

ZINC

GOLD

SILVER

RUBBER

INDICES

MAIN PRICE CHANGES

MEAT

COCOA

COFFEE

SOYABEAN MEAL

GRAINS

JUTE

SUGAR

GAS OIL FUTURES

POTATOES

OIL

FREIGHT FUTURES

US MARKETS

NEW YORK

CHICAGO

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar above day's lows

The dollar recovered from the day's lows yesterday, following comments by Mr Paul Volcker, US Federal Reserve chairman, that he was unhappy with the dollar's fall to record levels over the past week. In addition testimony to Congress by Mr James Baker, US Treasury Secretary, was less bearish than previously expected.

Earlier in the day the dollar had shied away from lows touched on Monday for fear of provoking central bank intervention. There was little incentive to move before Mr Baker's testimony although comments by Mr Volcker tended to steal the limelight. However outside the apparent battle of words, US retail sales rose a disappointing 0.5 per cent after expectations of nearer 1.2 per cent. The authorities desire may be to see the dollar stabilise around current levels but there will ultimately have to be some justification, manifested through an improved economic performance. So far there is little immediate sign of this.

The dollar closed at DM 2.1960 up from DM 2.1740 on Monday and a low of DM 2.1665. Against the yen it improved to Y162.80 from Y161.05 and SFr 1.8255 compared with SFr 1.8025. In terms of the French franc it improved to FFr 7.00 from FFr 6.9225. On Bank of England figures the dollar's exchange rate index rose from 112.6 to 112.9.

STERLING — Trading range against the dollar in 1986 is 1.5555 to 1.3770. April average 1.4988. Exchange rate index 76.1 against 76.0 at the opening and Monday's close. The six months ago figure was 79.5.

Sterling showed very little change during the day, losing a little ground as the dollar recovered during the afternoon but still showing an improvement against most European currencies. It fell to $1.5345 from $1.5460 but rose to DM 3.37 from DM 3.36 and SFr 2.80 compared with SFr 2.7875. Against the yen it improved to Y249.75 from Y249.0 and FFr 10.7425 from FFr 10.7025.

D-MARK — Trading range against the dollar in 1986 is 2.4710 to 2.1640. April average 2.2723. Exchange rate index 135.5 against 127.6 six months ago.

The D-mark finished below its best level against the dollar in Frankfurt yesterday following a number of comments by US officials. The dollar closed at DM 2.1745 from DM 2.17 on Monday having been fixed without Bundesbank intervention at DM 2.1740 earlier in the day. The threat of central bank intervention remained a key factor although some dealers pointed out the Bundesbank's ability to intervend was compromised by the D-mark's current position at the base of the EMS.

JAPANESE YEN — Trading range against the dollar in 1986 is 202.70 to 161.05. April average 175.05. Exchange rate index 209.7 against 178.5 six months ago.

Trading was confined to a fairly narrow range in Tokyo yesterday. While the dollar remained weak, there was no enthusiasm to push it lower without some fresh impetus to overcome fears about central bank support for the dollar. The latter closed at Y160.95 against Y160.55 in New York and Y160.20 in Tokyo on Monday. Volume was restricted ahead of *US Treasury Secretary James* Baker's testimony to Congress. Major European currencies were bought in favour of the yen, reflecting a catching up process since the yen had appreciated more against the dollar than other currencies had. The D-mark recovered to Y74.15 from Y73.73.

£ IN NEW YORK

May 13	Close	Prev. close
£ Spot	$1.5370-1.5380	$1.5520-5530
1 month	0.45-0.42pm	0.48-0.46pm
3 months	1.22-1.18pm	1.27-1.26pm
12 months	3.65-3.50pm	3.65-3.55pm

Forward premiums and discounts apply to the U.S. dollar.

POUND SPOT—FORWARD AGAINST POUND

May 13	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5310-1.5485	1.5340-1.5350	0.45-0.42c pm	3.40	1.22-1.18pm	3.05
Canada	2.1180-2.1378	2.1180-2.1210	0.32-0.22c pm	1.53	0.71-0.58pm	1.21
Nethlnd.	3.78-3.80¾	3.79¼-3.80¼	1⅛-1⅛c pm	3.95	4-3⅛pm	4.08
Belgium	68.20-69.10	68.80-68.90	17-11c pm	2.44	42-33c pm	2.18
Denmark	12.39½-12.45⅞	12.44⅞-12.45⅞	3⅞-2⅞ore pm	3.19	8⅞-7⅞pm	2.65
Ireland	1.1015-1.1090	1.1070-1.1080	par-0.10p dis	−0.54	0.20-par pm	0.36
W. Ger.	3.35⅞-3.38	3.36½-3.37½	1⅞-1⅞pf pm	6.01	4⅞-4½ pm	5.49
Portugal	221-225¾	221-224	85-325c dis	−11.06	280-910dis	−10.70
Spain	213.58-214.66	214.22-214.66	25-65c dis	−2.52	85-200dis	−2.66
Italy	2287½-2318¾	2111½-2312½	1-6lire dis	−1.82	8.15dis	−1.99
Norway	11.40¼-11.51¼	11.45-11.46	3-4⅞ore dis	−3.73	9½-11⅛dis	−3.60
France	10.67½-10.75½	10.73⅛-10.74⅞	3-2⅛c pm	3.07	8⅛-7⅞pm	2.86
Sweden	10.84½-10.85¾	10.85⅛-10.86⅞	⅞-1⅞ore dis	−1.31	2⅞-3⅞dis	−1.06
Japan	248¾-251	249¾-250¾	1.40-1.10y pm	6.01	3.50-3.30pm	5.45
Austria	23.45-23.67	23.45-23.60	3⅞-2⅞gro pm	1.69	8⅞-7⅞pm	1.41
Switz.	2.77¾-2.81	2.79½-2.80½	1⅞-1⅞c pm	6.43	4⅞-3⅞pm	5.80

Belgian rate is for convertible francs. Financial franc 69.20-69.30. Six-month forward dollar 2.22-2.17c pm, 12-month 3.60-3.350c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

May 13	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5310-1.5485	1.5340-1.5350	0.45-0.42c pm	3.40	1.22-1.18pm	3.05
Ireland†	1.3815-1.4050	1.3850-1.3880	0.45-0.35c pm	3.43	1.15-0.95pm	3.00
Canada	1.3775-1.3905	1.3780-1.3790	0.20-0.23c dis	−1.87	0.64-0.69dis	−1.93
Nethlnd.	2.4405-2.4800	2.4745-2.4755	0.13-0.10c pm	0.56	0.59-0.54pm	0.92
Belgium	44.23-44.90	44.80-44.90	3-5c dis	−1.08	10.14dis	−1.08
Denmark	8.00¼-8.11¾	8.11¼-8.11¾	par-⅞ore dis	−0.37	⅞-1⅞dis	−0.50
W. Ger.	2.1665-2.2020	2.1955-2.1965	0.47-0.44pf pm	2.51	1.32-1.27pm	2.38
Portugal	146⅞-147⅞	147-147⅞	100-250c dis	−11.42	300-700dis	−13.73
Spain	138-140½	139½-140½	55-70c dis	−5.42	170-200dis	−5.35
Italy	1487-1507	1506-1507	5⅞-8lire dis	−5.42	18.21⅞dis	−5.29
Norway	7.41½-7.46¾	7.46¾-7.46⅞	4⅞-4⅞ore dis	−7.26	12⅞-13dis	−6.79
France	6.90-7.00⅞	6.99⅞-7.00⅞	0.20-0.30c dis	−0.43	0.45-0.65dis	−0.32
Sweden	7.01⅞-7.07⅞	7.07⅞-7.07⅞	2⅞-3ore dis	−4.89	7⅞-7⅞dis	−4.22
Japan	160.75-163.60	162.75-162.85	0.38-0.33y pm	2.63	0.96-0.91pm	2.31
Austria	15.23½-15.47	15.46-15.47	3⅞-2⅞gro pm	2.36	8⅞-6⅞pm	1.96
Switz.	1.7915-1.8300	1.8250-1.8260	0.47-0.42c pm	2.96	1.28-1.18pm	2.73

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 45.10-45.20.

EXCHANGE CROSS RATES

May 13	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.535	3.370	249.5	10.74	2.800	3.798	2312.	2.120	68.85
$	0.652	1.	2.196	162.6	7.000	1.826	2.475	1507.	1.381	44.85
DM	0.297	0.455	1.	74.11	3.188	0.831	1.127	686.1	0.629	20.43
YEN	4.004	6.144	13.49	1000.	43.01	11.21	15.21	9257.	8.486	275.7
F Fr.	0.931	1.428	3.137	232.5	10.	2.606	3.535	2152.	1.973	64.08
S Fr.	0.357	0.548	1.204	89.20	3.837	1.	1.356	825.7	0.757	24.59
H Fl.	0.263	0.404	0.887	65.77	2.829	0.737	1.	608.8	0.558	18.13
Lira	0.433	0.663	1.458	108.0	4.646	1.211	1.643	1000.	0.917	29.78
C $	0.472	0.724	1.590	117.8	5.066	1.321	1.792	1091.	1.	32.48
B Fr.	1.453	2.229	4.895	362.7	15.60	4.067	5.516	3358.	3.078	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

EURO-CURRENCY INTEREST RATES

May 13	Short term	7 Days notice	Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
U.S. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sw. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutschmrk	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fr. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B.Fr.(Fin)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B.Fr.(Con)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $ (Sing)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long-term Eurodollars: two years 7⅞-7⅞ per cent; three years 7⅞-7⅞ per cent; four years 7⅞-8⅞ per cent; five years 8⅞-8⅞ per cent nominal. Short-term rates are call for U.S. Dollars and Japanese Yen; others, two days' notice.

CURRENCY MOVEMENTS

May 13	Bank of England Index	Morgan Guaranty Change%
Sterling	76.1	−15.5
U.S. dollar	112.9	+4.7
Canadian dollar	78.3	−12.0
Austrian schilling	126.6	+7.1
Belgian franc	95.7	−7.5
Danish Krone	86.4	−0.8
Deutsche mark	135.5	+14.8
Swiss franc	159.0	+16.4
Guilder	125.5	+9.2
French franc	69.4	−13.5
Lire	46.4	−17.9
Yen	209.7	+54.0

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

May 13	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.766979	0.638546
US $	6½	1.18681	0.985875
Canadian $	8.97	*	1.35991
Austria Sch	4	18.1188	15.1090
Belgian Fr	8½	N/A	43.8863
Danish Kr	7	9.63715	7.94828
D'mark	3½	2.57882	2.15020
Guilder	4½	N/A	2.42129
French Fr	9½	8.22261	6.84742
Lira	13	N/A	1474.88
Yen	3½	190.980	159.824
Norway Kr.	8	N/A	7.34874
Span'h Pta.	—	164.068	136.554
Swedish Kr	8	8.33728	6.95006
Swiss Fr.	4	2.13518	1.78032
Greek Drch	20½	161.769	134.752
Irish Punt	—	N/A	0.706171

* C$/SDR rate for May 9: 1.63440.

OTHER CURRENCIES

May 13	£	$
Arg'tina	1.2656-1.2992	0.8400-0.8410
Aus'alia	2.1090-2.1130	1.3640-1.3650
Brazil	21.26-21.39	13.77-13.84
Finland	7.6585-7.6775	4.9630-4.9650
Greece	208.67-213.18	134.89-137.71
H'kong	12.0650-12.0750	7.8075-7.8098
Iran	121.80*	77.60*
Kuwait	0.4395-0.4405	0.28585-0.28675
Lux'bourg	68.80-68.90	44.60-44.90
Malaysia	3.9750-3.9950	2.5765-2.5815
N'Z'land	2.7325-2.7485	1.7620-1.7745
Saudi Ar.	5.6365-5.6105	3.6500-3.6505
Sin'pore	3.4060-3.4160	2.2055-2.2065
S.Af.(Cm)	2.3715-2.3825	2.1380-2.1390
S.Af.(Fn)	5.0600-5.1370	3.2810-3.3470
U.A.E.	5.6385-5.6505	3.6720-3.6730

* Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu May 13	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	43.6761	43.8863	+0.48	+0.67	±1.5388
Danish Krone	7.85600	7.94828	+1.18	+1.37	±1.6408
German D-mark	2.13834	2.15020	+0.55	+0.74	±1.0981
French Franc	6.96280	6.84742	−1.66	−1.57	±1.3701
Dutch Guilder	2.40935	2.42129	+0.50	+0.69	±1.5081
Irish Punt	0.712956	0.706171	−0.95	−0.88	±1.6669
Italian Lira	1496.21	1474.88	−1.43	−1.43	±4.0788

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

FINANCIAL FUTURES

Record volume

Trading was very active on the London International Financial Futures Exchange yesterday. Total volume in futures and options trading was a record 48,113, a rise of 7.3 per cent *from the previous record set on* April 17. Out of this figure futures turnover was also at a record, of 43,494. Trading in US Treasury bond futures was at an all-time high of 15,405. June delivery Treasury bonds opened weak at 96-15, reflecting concern about the weakness of the dollar, rising oil prices, and indications that Japan is not considering another cut in its discount rate. *The supply of paper from last* week's record $27bn US Treasury auction was also overhanging the market, but prices began to recover on a smaller-than-expected rise of 0.5 per cent in April US retail sales. The fall in March retail sales was also revised down to 0.9 per cent from 0.8 per cent.

The recovery continued after Mr James Baker, US Treasury Secretary, in his testimony before Congress, said he saw no difficulty in attracting foreign investors to the US securities market. After falling to a low of 95-15 June bonds closed at 96-25, compared with 97-12 previously.

Long term gilt futures also opened weak, depressed by the trend in US bonds, but improved, to finish higher on the day, as bonds recovered.

LIFFE LONG LIFE GILT FUTURES OPTIONS

Strike price	Calls—Last June	Sept	Dec	Mar	Puts—Last June	Sept	Dec	Mar
116	9.10	9.50	—	—	0.00	0.34	—	—
118	7.10	8.07	—	—	0.00	0.56	—	—
120	5.10	6.37	—	—	0.00	1.21	—	—
122	3.15	5.14	—	—	0.05	1.82	—	—
124	1.36	4.02	—	—	0.26	2.50	—	—
126	0.33	3.02	—	—	1.23	3.50	—	—
128	0.07	2.14	—	—	2.61	4.62	—	—
130	0.01	1.37	—	—	4.55	6.21	—	—

Estimated volume total: Calls 2,403, Puts 424
Previous day's open interest: Calls 10,832, Puts 3,480

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike price	Calls—Last June	Sept	Dec	Mar	Puts—Last June	Sept	Dec	Mar
92	4.53	5.60	—	—	0.01	1.56	—	—
94	2.61	4.46	—	—	0.09	2.41	—	—
96	1.26	3.41	—	—	0.38	3.37	—	—
98	0.31	2.49	—	—	1.03	4.45	—	—
100	0.07	2.03	—	—	3.19	5.63	—	—
102	0.01	1.31	—	—	5.13	7.27	—	—
104	0.00	1.03	—	—	7.12	8.63	—	—
106	0.00	0.47	—	—	9.12	10.43	—	—

Estimated volume total: Calls 1,027, Puts 340
Previous day's open interest: Calls 2,410, Puts 1,101

LIFFE £/$ OPTIONS

£25,000 (cents per £1)

Strike price	Calls—Last May	June	July	Sept	Puts—Last May	June	July	Sept
1.30	24.64	24.64	—	24.64	0.00	0.00	—	0.18
1.35	19.64	19.64	19.64	19.64	0.00	0.00	0.07	0.49
1.40	14.64	14.64	14.64	14.64	0.00	0.05	0.29	1.14
1.45	9.64	9.64	9.77	10.39	0.00	0.31	0.91	2.29
1.50	4.66	5.41	6.11	7.18	0.08	1.21	2.25	4.08
1.55	1.00	2.49	3.40	4.68	1.42	3.29	4.54	6.58
1.60	0.05	0.89	1.66	2.88	5.47	6.69	7.80	9.78

Estimated volume total: Calls 95, Puts 260
Previous day's open interest: Calls 5,716, Puts 6,105

LONDON SE £/$ OPTIONS

£12,500 (cents per £1)

Strike price	Calls—Last May	June	July	Sept	Puts—Last May	June	July	Sept
1.30	—	24.80	—	—	0.05	0.15	—	0.25
1.35	19.80	19.80	—	—	0.05	0.20	—	0.50
1.40	15.00	15.00	15.00	15.00	0.05	0.20	0.40	1.10
1.45	10.00	10.00	10.00	10.70	0.10	0.40	0.80	2.20
1.50	5.00	5.70	6.20	7.30	0.10	1.20	2.30	3.90
1.55	0.60	2.60	3.45	4.25	1.30	3.30	4.50	6.40
1.60	0.15	1.00	1.65	2.60	5.50	5.70	7.90	9.50

Previous day's open interest: Calls 5,127, Puts 3,753
Volume: 265

PHILADELPHIA SE £/$ OPTIONS

£12,500 (cents per £1)

Strike price	Calls—Last May	June	July	Sept	Puts—Last May	June	July	Sept
1.30	24.40	24.40	—	24.30	—	—	—	0.20
1.35	19.40	19.40	19.30	18.80	—	0.05	0.10	0.45
1.40	14.40	14.30	14.30	14.30	—	0.06	0.25	1.00
1.45	9.40	9.30	9.30	10.10	—	0.25	0.80	2.05
1.50	4.60	5.00	5.45	6.70	0.05	1.20	2.25	3.70
1.55	0.65	2.25	2.90	4.20	1.15	3.05	4.20	6.10
1.60	0.05	0.75	1.40	—	5.40	6.50	7.50	—

Previous day's open interest: Calls n/a, Puts n/a
Previous day's volume: Calls n/a, Puts n/a

LIFFE—EURODOLLAR OPTIONS

$1m points of 100%

Strike price	Calls—Last June	Sept	Dec	Mar	Puts—Last June	Sept	Dec	Mar
91.00	2.08	2.11	—	—	0.00	0.00	—	—
91.50	1.58	1.62	1.56	—	0.00	0.01	0.06	—
92.00	1.08	1.15	1.13	—	0.00	0.04	0.13	—
92.50	0.59	0.73	0.74	—	0.01	0.12	0.24	—
93.00	0.20	0.39	0.44	—	0.12	0.28	0.44	—
93.50	0.03	0.16	0.22	—	0.45	0.56	0.72	—
94.00	0.00	0.05	0.09	—	0.92	0.94	1.09	—

Previous day's open interest: Calls 4,054, Puts 2,867
Volume: 67

CHICAGO

US TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
June	97-25	98-05	96-00	97-08
Sept	97-03	97-13	95-02	96-12
Dec	96-08	96-17	94-10	95-18
March	95-11	95-22	93-22	94-25
June	94-20	94-31	93-11	94-02
Sept	—	—	—	93-13
Dec	—	—	—	92-26
March	—	—	—	92-09
June	—	—	—	91-28
Sept	—	—	—	—
Dec	—	—	—	91-02

US TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
June	93.97	94.00	93.87	93.96
Sept	94.17	94.20	94.02	94.13
Dec	94.12	94.15	93.98	94.07
March	93.96	94.01	93.82	93.89
June	93.73	93.77	93.60	93.66
Sept	93.51	93.54	93.39	93.44
Dec	93.32	93.33	93.20	93.25
March	93.13	93.13	93.03	93.08

CERT DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
June	93.42	93.42	—	93.40
Sept	—	—	—	93.44
Dec	—	—	—	93.30
March	—	—	—	93.14

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
June	93.12	93.15	92.99	93.08
Sept	93.15	93.20	92.99	93.10
Dec	93.04	93.08	92.88	92.98
March	92.83	92.88	92.67	92.76
June	92.57	92.64	92.43	92.50
Sept	92.35	92.38	92.20	92.26
Dec	92.11	92.17	91.98	92.04
March	91.96	91.95	91.78	91.83

LONDON

10% NOTIONAL SHORT GILT £100,000 64ths of 100%

	Close	High	Low	Prev
June	102-50	102-50	102-24	102-28
Sept	103-06	—	—	102-48

Estimated volume 261 (232)
Previous day's open int. 1,551 (1,444)

THREE-MONTH STERLING £500,000 points of 100%

	Close	High	Low	Prev
June	90.12	90.12	89.97	90.01
Sept	90.90	90.90	90.78	90.81
Dec	91.21	91.15	91.09	91.12
March	91.24	91.18	91.16	91.17
June	91.21	91.15	91.12	91.05

Estimated volume 3,218 (5,660)
Previous day's open int. 19,079 (17,985)

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
June	125-06	125-09	123-18	124-14
Sept	125-08	125-02	123-29	124-23
Dec	125-27	—	—	124-22
March	125-03	—	—	124-18

Estimated volume 13,525 (10,227)
Previous day's open int. 13,616 (13,597)
Basis quote (clean cash price of 13¼% Treasury 2004-08 less equivalent price of near futures contract) −4 to 4 (32nds)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
June	162.40	162.70	161.20	160.60
Sept	164.85	164.75	164.40	162.85
Dec	167.15	—	—	165.35

Estimated volume 812 (282)
Previous day's open int. 2,291 (2,309)

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
June	93.08	93.09	92.98	93.11
Sept	93.11	93.11	92.98	93.12
Dec	93.00	93.00	92.87	92.98
March	92.80	92.80	92.67	92.76
June	92.53	92.54	92.43	92.51
Sept	92.32	—	—	92.27
Dec	92.09	—	—	92.04

Estimated volume 10,274 (6,389)
Previous day's open int. 21,075 (20,565)

US TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
June	96-25	96-30	95-15	97-12
Sept	96-02	96-04	94-25	96-16
Dec	95-10	—	—	95-25

Estimated volume 15,405 (8,682)
Previous day's open int. 6,501 (6,450)

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.5345	1.5302	1.5225	1.5126	1.4990

IMM—STERLING $e per £

	Latest	High	Low	Prev
June	1.5320	1.5445	1.5290	1.5465
Sept	1.5290	1.5320	1.5140	1.5345
Dec	1.5150	1.5200	1.5060	1.5245

LIFFE—STERLING £25,000 $e per £

	Close	High	Low	Prev
June	1.5400	1.5405	1.5405	1.5415
Sept	1.5310	1.5318	1.5318	1.5296
Dec	1.5225	—	—	1.5210

Estimated volume 2 (56)
Previous day's open int. 1,800 (1,763)

STERLING INDEX

	May 13	Previous
8.30 am	76.0	75.9
9.00 am	76.0	75.9
10.00 am	76.0	75.9
11.00 am	76.0	76.0
Noon	76.1	76.0
1.00 pm	76.0	76.0
2.00 pm	76.1	76.0
3.00 pm	76.1	76.0
4.00 pm	76.1	76.0

MONEY MARKETS

London rates continue to ease

Interest rates fell on the London money market yesterday, as hopes grew of a cut in clearing bank base rates. Dealers suggested that the cheap level of overnight money, which closed at 4 per cent yesterday, had fed through to period rates. Conditions were comfortable yesterday, and the small forecast shortage was not fully taken out by the Bank of England. This may have been because the shortage moved outside the discount market, after the houses picked up relatively cheap money early on, rather than risk the possibility of rates rising later in the day. The attractive level of overnight money also meant the discount houses preferred to borrow, rather than sell bills. Speculation about lower base rates may have also made the houses reluctant to sell paper at present intervention rates, although dealers were cautious about suggesting a date for any cut in interest rates.

Three-month interbank closed at 10⅛-10¼ per cent, compared with 10$\frac{5}{16}$-10$\frac{3}{16}$ per cent.

The Bank of England initially forecast a money market shortage of £100m, but reduced this to £50m in the afternoon. The central bank did not operate in the market during the morning, and in the afternoon bought £14m bank bills in band 2 at 10$\frac{3}{16}$ per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £373m, with bank balances below target absorbing £60m. These outweighed Exchequer transactions adding £300m to liquidity, and a fall in the note circulation of £45m.

In Frankfurt the German Bundesbank accepted bids for DM 10.3bn for a 28-day securities repurchase agreement, at a fixed rate of 4.35 per cent. Funds will be allocated today, and will partly replace DM 15.1bn draining from the money market, as an earlier agreement expires. Bids at yesterday's tender totalled DM 20.7bn. Call money was unchanged at 4.30 per cent.

In Zurich the annual yield on three-month Swiss Government money market certificates rose to 3.55 per cent from 3.531 per cent. The previous series was issued in April.

UK clearing bank base lending rate 10½ per cent since April 21

FT LONDON INTERBANK FIXING

(11.00 a.m. May 13)

Three months US dollars		Six months US dollars	
bid 6 $\frac{13}{16}$	Offer 7 $\frac{1}{16}$	bid 6 $\frac{13}{16}$	Offer 7 $\frac{1}{16}$

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

NEW YORK RATES

(Lunchtime)

Prime rate	8½
Broker loan rate	7¾
Fed funds	6$\frac{11}{16}$
Fed funds at intervention	—
Treasury Bills & Bonds	
One month	5.83
Two month	6.11
Three month	6.25
Six month	6.37
One year	6.57
Two year	6.99
Three year	7.18
Four year	7.33
Five year	7.43
Seven year	7.54
10 year	7.62
30 year	7.40

LONDON MONEY RATES

May 13	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	4-10⅛	10-10¼	10⅛-10¼	10⅛-10¼	9$\frac{13}{16}$-9$\frac{15}{16}$	9⅝-9$\frac{11}{16}$
Sterling CDs	—	—	10$\frac{1}{16}$-10$\frac{1}{16}$	10-10⅛	9¾-9⅞	9⅜-9$\frac{15}{32}$
LocalAuthorityDepos	10-10⅛	10-10⅛	10¼	10	9¾	9½
Local Author'y Bonds	—	—	10$\frac{11}{16}$	10½	10⅛	9½
Discount Mkt Depos	4-10⅛	10⅛	10¼	9¾	—	—
Company Depos	8-10¼	10¼-10½	10⅝	10⅜	—	—
Finance House Depos	—	—	10½	10¼	10	9⅝
Treasury Bills (Buy)	—	—	10⅜	9$\frac{15}{16}$	—	—
Bank Bills (Buy)	—	—	10¼-10$\frac{3}{16}$	9$\frac{15}{16}$-9$\frac{13}{16}$	9$\frac{11}{16}$-9$\frac{5}{16}$	—
Fine Trade Bills (Buy)	—	—	10$\frac{9}{16}$	10$\frac{5}{16}$	10$\frac{1}{8}$	—
Dollar CDs	—	—	6.90-6.95	6.80-6.85	6.80-6.85	7.05-7.10
SDR Linked Depos	—	—	6$\frac{7}{16}$-6$\frac{5}{16}$	6⅜-6⅝	6$\frac{11}{16}$-6$\frac{5}{16}$	6$\frac{9}{16}$-6$\frac{5}{16}$
ECU Depos	—	—	7$\frac{11}{16}$-7$\frac{1}{16}$	7$\frac{1}{16}$-7$\frac{5}{16}$	7¼-7⅛	7$\frac{1}{16}$-7$\frac{1}{16}$

Treasury Bills (sell): one-month 10$\frac{3}{32}$ per cent; three-month 9$\frac{29}{32}$ per cent. Bank Bills (sell): one-month 10⅛-10⅛ per cent; three-month 9$\frac{31}{32}$-9$\frac{31}{32}$ per cent. Treasury Bills: Average tender rate at discount 9.9779 per cent. ECGD Fixed Finance Scheme IV reference dat April 2 to May 6 (inclusiv) 10.527 per cent. Local authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11½ per cent from May 1 1986. Bank Deposit Rate for sums at seven days' notice 5½-6 per cent. Certificates of Tax Deposits (Series 6): Deposit £100,000 and over held under one month 10½ per cent; one-three month 10½ per cent; three-six month 10 per cent; six-nine months 9¾ per cent; nine-12 month 9¾ per cent. Under £100,000 9¾ per cent from May 13. Deposits held under Series 5 9¾ per cent. Deposits withdrawn for cash 6 per cent.

MONEY RATES

May 13	Ov'r-nig't	One Month	Two Months	Three Months	Six Months	Lombard In'v'tn
Frankfurt	4.25-4.35	4.60-4.65	4.45-4.60	4.45-4.60	4.45-4.60	5.5
Paris	7½	7⅛-7¼	7$\frac{3}{16}$-7$\frac{5}{16}$	7¼-7⅜	7⅛-7¼	7¼
Zurich	7⅛-1⅛	4⅛-4¼	—	4⅛-4¼	—	—
Amsterdam	6⅛-6¾	6⅜-6½	—	5⅞-6$\frac{1}{16}$	—	—
Tokyo	4.09375	4.53125	—	4.65625	—	—
Milan	13-13⅛	13-13⅛	—	12⅛-12⅞	—	—
Brussels	8	8-8⅛	—	7⅞-8$\frac{1}{16}$	—	—
Dublin	9½-10	10⅛-10⅜	10⅛-10⅜	10⅛-10⅜	9⅝-9⅞	—

Company Notices

TRANSAMERICA CORPORATION

U.S. Dollars 30,000,000.- Floating Rate Notes Due 1990 (Coupon No. 3)

Pursuant to notice conditions, notice is hereby given that for *the interest period from 13th May 1986 to 13th November 1986 an interest rate of 6$\frac{11}{16}$ per cent per annum will apply.*

Amount per coupon = US$1,772.92 payable on 13th November 1986

Reference agent: The Long-Term Credit Bank of Japan, Ltd., London Branch

Art Galleries

FRANK AVRAY WILSON recent paintings. 9 May-8 June. WARWICK ARTS TRUST, 33, Warwick Square, St. George's Drive, London, SW1. Tel: 01-834 7856. Open Weds.-Suns. 10-5. Admission free.

LONDON SHARE SERVICE

BRITISH FUNDS

1986 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
100½	99¾	Treas. 12pc 1986	100⅛		11.98	10.51
99¾	98⅝	Treas. 8¼pc 1984-86	99½		8.53	10.44
102½	100	Exch. 14pc 1986	101⅞	–⅛	13.74	9.65
98	94¾	Exch. 2½pc 1986	97½	+⅛	2.55	6.56
102½	100¼	Exch. 13¼pc 1987	102⅛	+⅛	12.95	9.44
100½	97½	Treas. 10½pc Cv. 87	100⅛		10.21	9.55
96⅞	92½	Exch. 2½pc 1987	96⅝	–⅛	2.95	7.14
101¾	97½	Exch. 10½pc 1987	100½	+⅛	10.40	9.34
98⅞	93¾	Funding 6½pc 85-87	98¼	+⅛	6.62	8.41
101½	96½	Treas. 10pc 1987	100½	+⅛	9.93	9.36
95½	90⅞	Treas. 3pc 1987	95⅛	+⅛	3.14	7.14
104½	99⅛	Treas. 12pc 1987	103[illegible]	+⅛	11.55	9.09
99¼	92½	Treas. 7¾pc 1985-88	98⅜		7.86	8.61
104	96¼	Exch. 10½pc 1988	102⅞	+⅛	10.21	8.89
102¾	95¼	Treas. 9¾pc Cv. '88	101[illegible]	+⅛	9.61	9.00
92½	86½	Transport 3pc 78-88	92⅛		3.25	6.91
102½	95½	Treas. 9½pc '88	101	+⅛	9.41	9.02
107½	98½	Treas. 11½pc 1989	106½	+⅛	10.84	8.96
103¼	93½	Treas. 9½pc Cnv '89	102	+⅛	9.31	8.71
90½	82½	Treas. 3pc 1989	90½		3.32	6.54
105½	95½	Treas. 10½pc 1989	104½	+⅛	10.08	8.93
104½	94⅛	Exch. 10pc 1989	102½	+⅛	9.73	8.97
107½	97	Exch. 11pc 1989	105½	+⅛	10.38	8.89
92½	84½	Treas. 5pc 1986-89	92⅜	+⅛	5.40	7.48
110½	94¾	Exch. 10½pc Cv '89	107	+⅛	9.58	7.91
114½	103½	Treas. 13pc 1990	112⅛	+⅛	11.55	8.85
108¼	97¼	Exch. 11pc 1990	106½	+⅛	10.30	8.81
113¼	101½	Exch. 12½pc 1990	111½	+⅛	11.18	8.80
87½	79⅝	Treas. 3pc 1990	87⅛	–⅛	3.43	6.64
100½	89½	Treas. 8¼pc 1987-90	99¼	+⅛	8.31	8.48
106½	93	Treas. 10pc Cv 1990	104½	+⅛	9.56	8.74
		[illegible]				
		Five to Fifteen Years				
		[illegible]				
		Over Fifteen Years				
		[illegible]				
		Undated				
		[illegible]				
		Index-Linked				
		[illegible]				

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Cont.

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INDUSTRIALS—Continued

[illegible]

LEISURE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc

[illegible]

FINANCE, LAND—Cont.

[illegible]

OIL AND GAS

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

MINES—Continued

1986 High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
		O.F.S.					
230	138	Beatrix Mines R1	148		15c	1.2	3.3
905	650	F. S. Cons. Gold 50c	650xd	−25	Q0160c	—	8.5
240	120	Free State Dev. 10c	140		Q15c	1.2	3.5
962	594	Harmony 50c	625		Q265c	♦	13.7
410	213	Loraine R1	218	−2	Q75c	3.1	11.2
987	750	St. Helena R1	850	−25	Q450c	1.9	17.2
569	354	Unisel	445	−5	tQ150c	1.3	10.9
523	372	Welkom Gold Hldgs 50c	413xd	−12	Q234c	1.0	18.4
		Diamond and Platinum					
£55	£32	Anglo Am. Inv. 50c	£52		Q810c	1.0	5.0
527	312	De Beers Df. 5c	475	−3	Q55c	5.1	3.8
490	315	Do. 40pc Pf. R5	420		Q200c	z	15.4
710	550	Impala Plat. 20c	620	+4	Q135c	1.9	7.2
652	410	Lydenburg 12½c	530	−53	Q72c	1.0	4.5
790	500	Rus. Plat. 10c	630	−5	tQ90c	1.4	4.8
		Central African					
205	155	Falcon Z50c	190		tQ100c	2.5	21.9
16	10	Wankie Col. Z$1	14		tQ5c	13.6	14.8
16	12	Zam.Cor.SBD0.24	12		—	—	—
		Finance					
91	65	Afex Corp SA $1.50	75		Q7.5c	4.4	6.8
£13	775	Ang. Am. Coal 50c	800		Q240c	♦	10.2
£10¼	735	Anglo Amer. 10c	810		Q135c	2.0	5.4
£57⅞	£38¼	Ang. Am. Gold R1	£45	+1	Q1450c	1.1	10.4
£40	£24	Anglovaal 50c	£30		tQ360c	2.9	5.6
22	11	♥Clogau Gold 10p	16		—	—	—
123	80	♥Cons. Afex Corp	80		N05½c	—	2.2
537	435	Cons. Gold Fields	475	+8	24.5	1.4	7.3
66	34	East Rand Con. 5p	43		1.0	2.1	3.3
820	600	Gencor R1	600		tQ170c	1.1	9.2
£10	590	Gencor 40c	825		Q195c	2.2	8.0
33	18	Gold & Base 12½p	28		—	—	—

[illegible]

Australians

[illegible]

Tins

[illegible]

Miscellaneous

1986 High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
[illegible]							
42	28	Anglo Utd Dev	35	−1	[illegible]	♦	4.5
80	45	♥Colby Res Corp	56		—	—	—
300	200	Cons. Murch. 10c	210		[illegible]	3.9	‡
34	28	♥Ennex Int. Ir10p	33		—	—	—
101	70	Greenwich Res	92		—	—	—
143	93	Hampton Areas 10p	140	+5	♦3.75	0.9	3.6
245	165	♥Highwood Res	222		—	—	—
£19¼	£13½	Homestake Mining $1	£13½	−¼	Q20c	—	1.0
310	180	♥McFinley Red Lake	285	+10	—	—	—
285	195	♥Musto Explorations	200		—	—	—
51	37	♥New Sabina Res C$1	38	+1	—	—	—
260	210	Northgate C$1	220		—	—	—
790	513	RTZ	660xd	+12	22.0	2.8	4.7
£164	£115	Do. 9¾pcLn '95-2000	£134xd	+2	Q9½%	15.5	17.3
950	800	♥Tara Expon $1	884		—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ‡ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ♦ Same interim; reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ¶ No par value.

B Fr. Belgian Francs. Fr. French Francs. ♦♦ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or −	Stock	Price	+ or −
Albany Inv 20p	123xd	....	Fin. 13% 97/02	£125⅝	−⅛
Craig & Rose £1	£13	....	Arnotts	345xd	....
Finlay Pkg. 5p	44xd	....	CPI Hldgs	60	....
Holt (Jos) 25p	790	..	Carrol Inds.	190	...
IoM Stm. £1	99	....	Dublin Gas	53	.....
			Hall (R. & H.)	77	+2
IRISH			Heiton Hldgs.	30	...
Fund 11¾% 1988	£103⅝	−⅛	Irish Ropes	185	+10
Nat. 9¾% 84/89	£102½	−⅛	Unidare	195	.

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This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

LONDON STOCK EXCHANGE

MARKET REPORT

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Apr 28	May 8	May 9	May 19
May 12	May 29	May 30	June 9
June 2	June 12	June 13	June 23

* "New-time" dealings may take place from 9.30 am two business days earlier.

Takeover news boosts equity sectors
Gilts dip and rally

Equity markets took on a distinctly better appearance yesterday. *Blue chip industrials* staged a positive rally and numerous old takeover favourites came to life as the announcement of three new bids at the start of trading triggered off a fresh round of speculative activity.

Even yesterday's cash call from **Burmah Oil** via an £86m rights issue was quickly shrugged aside. Demand was by no means heavy, but leading shares were quick to respond in a still relatively thin market. Apart from the revival of takeover fever, dealers found it difficult to pinpoint the change in sentiment, although in some quarters, a further reduction in interest rates was regarded as a distinct possibility.

Building shares revived, while the Engineering sector, the subject of a spate of bids over the past few weeks, reclaimed some of the day's outstanding rises.

The final tone was unsettled to a certain extent by vague talk of another large fund-raising exercise in the offing. This was reflected in the Financial Times Ordinary share index which closed 10.7 up on the day at 1341.2 after having posted a rise of 15.7 at the 3.00 pm calculation. Among the index constituents, **Allied Lyons** attained a new peak of 343p before settling 10 dearer on balance at 335p amid fresh bid speculation; Bats and US concern Seagrams were again mentioned as possible predators.

Government stocks revived strongly after an initial setback. Reflecting the overnight fall in the US bond market, long-dated stocks weakened afresh and after the first hour or so of business recorded falls ranging to half a point. However, this area of the market began to rally following refusal by the Government Broker of bids at 20¼ for the £25-paid tap Treasury 8 per cent 2002 which eventually closed ¾ higher at 21¼. Thereafter, the recovery gathered pace on firmer transatlantic opening indications and closing net gains of around ⅜ were extended further by an ⅛ or so in the late dealings. Elsewhere, demand continued for index-linked stocks which ended with rises extending to ⅜.

CU improve

Commercial Union rose 6 to 328p on buying in anticipation of today's first-quarter figures. **Royals**, meanwhile, which report third-quarter results tomorrow, advanced 18 to 948p, after 955p. **General Accident** put on 4 at 852p and **GRE** appreciated 8 at 898p.

Business in leading Breweries centred on Allied-Lyons, but others to display double-figure rises included **Whitbread A**, 15 up at 282p, and **Bass**, a like amount up at 775p; the respective preliminary and interim figures are scheduled for next Wednesday.

Leading Buildings made a much brighter showing. Recently-dull **Tarmac** revived with a gain of 16 at 462p, while **Costain** rose 12 to 510p and **Redland** improved 10 to 417p. **Taylor Woodrow** picked up 13 at 615p, while rises of around 6 were seen in **RMC**, 662p, and **BPB Industries**, 470p. Elsewhere, **Raine Industries** attracted renewed demand pending the outcome of merger discussions and put on 4¼ to 52½p, while **Manders** gained 12 to 238p on speculative interest.

ICI traded quietly and settled a shade dearer on balance at 927p. Elsewhere in the Chemical sector, **Foseco** featured with a rise of 18 at 287p, after 291p, on revived bid rumours: Laporte or Burmah were mentioned as possible suitors. **Laporte** lost 7 to 345p. **Anchor** found support at 225p, up 11 and **William Canning** firmed 4 to 129p.

Woolworth firm

Leading Retailers took Monday's rally a stage further. **Woolworth** advanced 20 to 805p amid strong suggestions of an imminent increased offer from **Dixons**, 16 up at 342p. **Sears** hardened a couple of pence to 118p, after 119½ as the preliminary figures were deemed satisfactory. **Harris Queensway**, 6 up at 242p, continued to recover from recent weakness in the wake of the proposed rights issue. Secondary issues again *attracted selective support*. **Alexon** put on 7 more to 146p, while revived interest was noted for **Fine Art Developments**, 12 to the good at 148p, and **Bolton Textile**, 2 dearer for a two-day advance of 5 to 27p. **Warehouse** were marked 3 points higher to 212½ in an extremely limited market following a bid approach.

Otherwise idle Shoes and Leather counters showed **Stylo** 18 cheaper at 220p, after 215p, in reaction to the annual deficit.

Electrical leaders returned to favour in the wake of the Government's Defence White Paper. **Plessey** gained 6 at 224p, after 228p, while **Racal** firmed 4 at 224p. **GEC** hardened a couple of pence to 194p. Elsewhere, **British Telecom** rose 10 to 240p and **BICC**, following the chairman's AGM statement, closed a few pence better at 328p. Still reflecting hopes of a bid from Siemens AG of West Germany, **STC** moved up 4 more to 148p, while **Cable and Wireless** jumped 22 to 667p, after 670p, in response to stockbroker James Capel's recommendation. **BSR**, having reacted the previous day on Amstrad's denial of any intention to launch a bid for the company, revived with a rise of 8 to 138p on hopes of the early flotation for its engineering subsidiary, Bulpitt. **Dataserv** jumped 20 to 190p in response to the bumper preliminary profits and **Farnell** appreciated 10 at 195p following acquisition details.

Takeover speculation was rife in the Engineering sector. Dealings in **D. F. Bevan** were resumed following details of the agreed bid from Wheway Watson and the close was 12 higher at 50p. Other old bid favourites were subsequently supported and gains of between 11 and 27 were seen in **BHP**, 190p, **Noble and Lund**, 126p, **F. S. Ratcliffe**, 195p, and **Desoutter Bros**, 315p. **Christy Hunt** rose 3 to 49p on the announcement that the National Bank of Kuwait had increased its stake in the company to nearly 21 per cent, while **Mitchell Somers** firmed the same amount to 118p following details that F. R. Northcott had acquired at 6.2 per cent stake. **Babcock International** rose 7 to 180p and **Delta** advanced 10 to 238p, while **Bullough** improved 23 to 288p. **Weir** added 7 at 120p, as did **MS International**, to 105p. **Concentric** rallied from an initial dull level of 93p to close 4 dearer on balance at 99p following the interim results. **Hawker** led the leaders higher with an improvement of 14 at 581p. **GKN** put on 8 at 328p.

The Food sector recorded numerous bright features. **Associated British Foods** were prominent at 340p, up 20, as Fine Fare sale rumours revived; the annual results are due next Monday. **Banks Hovis McDougall**, with interim figures scheduled for next Tuesday, also attracted buyers and firmed 7 to 262p. **Unigate** rose 10 to 287p on talk of a broker's presentation, while **United Biscuits** improved 7 to 245p in belated response to the chairman's confident AGM statement. Revived demand in a restricted market lifted **Iceland Frozen Foods** 20 to 825p, while buying left **Freshbake** 9 up at 89p. **S. & W. Berisford** rallied 4 to 214p; Hillsdown's offer has been extended until May 27.

Grand Metropolitan touched 413p prior to closing 7 dearer on balance at 407p; the interim figures are due tomorrow.

Pentland revive

Pentland Industries returned to prominence in miscellaneous industrials, jumping 63 to a new peak of 735p on consideration of the group's US growth prospects. The confident tenor of the chairman's annual statement helped **British Aerospace** advance 18 to 563p, while **Trafalgar House** continued to respond to recent Press comment with a fresh gain of 14 at 312p. **Pritchard Services** leapt 33 to 118p on news of the bid from Hawley and speculative gains of 22 and 35 respectively were seen in **Longton Industrial** 227p, and **Bestwood**, 500p. **European Ferries** rallied 10 to 143p and **English China Clays** improved 7 to 355p in anticipation of tomorrow's interim results. Hopes of a successful rights issue result left **Hestair** 10 to the good at 160p, while **AB Ports** improved 20 to 570p. **William Morris Fine Arts** dropped to 18p initially following news of the £2.7m annual deficit, but later rallied on consideration of the acquisition details to close a net 2 dearer on balance at 23½p. **Stainless Metalcraft** continued firmly at 207p, up 12, at 245p. **Glaxo** again attracted US support and touched 990p at one stage before late profit-taking left a close of 968p, 12 dearer on balance. **BOC**, on the other hand, fell 10 to 322p following adverse comment on the half-year results.

WSL continued to attract considerable interest on talk of a broker's circular and touched 198p before closing a net 8 up at 190p, while asset injection hopes gave a fresh boost to **SelecTV** which gained 5 to 26p. **Pineapple Dance Studios** revived strongly and touched 80p prior to closing 7 higher at 71p, while **Leisuretime International** gained 7 to 113p. **Scaaro** rose 18 to 178p in a restricted market, but **Aspinall Holdings** encountered profit-taking in the absence of any bid developments and settled 8 lower at 157p.

Advertising agencies and related issues again attracted a fair measure of attention. **Saatchi and Saatchi** advanced 10 more to 760p on further consideration of the proposed acquisition of Ted Bates. **Good Relations**, still surrounded by merger speculation, hardened 5 to 163p, while recovery prospects lifted **Geers Gross** a penny to 69p, after 70p. Dealings in USM-quoted **Hoggett Bowers** were resumed following the agreed share-exchange bid from Blue Arrow; the former touched 121p before settling at 117p, while Blue Arrow dipped 18 to 363p, after 380p.

Properties attracted scattered support. **MEPC** hardened a couple of pence to 342p and **British Land** improved a penny to 170p. **Land Securities** touched 312p prior to closing unchanged at 310p.

Burmah sharply lower

Recently-buoyant **Burmah Oil** came under substantial pressure and dropped 22 to 355p following news of the proposed one-for-five rights issue at 310p a share to raise around £86m. The Burmah cash-call and a slightly easier trend in crude oil prices unsettled other oils. In the leaders **BP**, gave up 10 to 570p in front of tomorrow's first-quarter figures, while **Shell**, also reporting tomorrow, closed a net 7 off at 768p. **Ultramar** were 4 down at 190p ahead of today's first-quarter results and annual meeting.

Overseas Traders lacked a decided trend. **Polly Peck** responded to revived speculative demand to close 10 higher at 181p; last year the interim figures were announced on May 20. Buyers also returned for **Lonrho**, finally 11 dearer at 261p amid strong US and Traded Option business. In contrast, **Tozer Kemsley and Millbourn** encountered sporadic profit-taking and settled 9 cheaper at 182p; **Kenning Motor** fell 15 to 310p in sympathy.

Another low-key session in mining markets saw **Hampton Areas** edge up 5 more to 140p, 10p above the 130p a share bid from the Alan Bond-controlled Metals Exploration, still reflecting hopes of a counter offer or increased bid from Metals Ex; the latter hardened a penny to 16p. Other UK-domiciled Financials benefited from the widespread advance by domestic equities. **Rio Tinto-Zinc** moved up 12 to 660p and **Consolidated Gold Fields** settled 8 to the good at 475p, after 477p.

South African Golds lost further ground, upset by the easier trend in the bullion price and a withdrawal of the recent support for the sector from South African operators. Share prices opened easier and subsequently drifted throughout the day. The Gold Mines index fell 4.5 to 255.6.

In the leaders **Randfontein** and **Vaal Reefs** dipped ¼ apiece to £47¼ and £42½, while the lower priced issues showed **Freegold** 25 down at a year's low of 650p.

Australians fell sharply in Sydney and Melbourne markets overnight, following poor trade figures for April, and were additionally overshadowed by the latest developments in the Bell Resources/BHP takeover battle where Bell upped its partial offer for BHP from A$7.70 to A$9.20 a share. In London **BHP** shares rose sharply to touch 390p before easing to close a net 21 up at 376p while **Bell Resources** lost 5 at 180p.

Traded Options

Business in Traded Options remained disappointingly low. Total contracts transacted amounted to only 13,786—comprising 10,531 calls and 3,255 puts.

TRADITIONAL OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
May 6	May 16	Aug 7	Aug 18
May 19	June 6	Aug 28	Sept 8
June 9	June 20	Sept 11	Sept 22

For rate indications see end of Unit Trust Service

Stocks favoured for the call included **Lucas, Grovebell, WSL, Wold, Raine, Frederick Cooper, Five Oaks, Wellmann, William Sutton, WPP, Barham, Richardson Westgarth, Pavion, Sunleigh, P. & W. MacLellan, Sycamore, Burns Anderson, Spong, STC, Tunland, Fobel International, Unigroup, Bullers, Sound Diffusion, Thurgar Bardex, Barratt Developments, Dixons, Sears, Hall Engineering, Berkeley and Hay Hill, Davidson Pearce, AE, Tricentrol, Aurora, Dominion International, Combined Technologies, Poseidon** and **Jonas Woodhead**. No puts or doubles were reported.

FINANCIAL TIMES STOCK INDICES

	May 13	May 12	May 9	May 8	May 7	May 6	year ago
Government Secs.	81.87	81.90	82.26	82.55	82.32	83.05	80.72
Fixed Interest	96.80	96.88	97.24	96.83	96.82	96.81	85.93
Ordinary ♥	1341.2	1330.5	1330.3	1339.9	1345.7	1366.5	1012.3
Gold Mines	255.6	258.1	258.4	256.8	254.5	256.4	511.3
Ord. Div. Yield	3.95	4.07	4.07	4.05	4.01	3.95	4.52
Earnings, Yld. % (full)	9.82	10.19	10.20	10.09	10.03	9.97	11.25
P/E Ratio (net) (*)	12.45	11.99	11.97	12.11	12.19	12.27	10.73
Total bargains (Est.)	24,357	28,603	26,811	26,818	25,636	23,974	25,861
Equity turnover £m.	—	458.73	676.43	598.74	712.90	572.96	387.00
Equity bargains	—	25,530	30,799	26,635	25,230	25,279	29,368
Shares traded (ml)	—	245.8	312.2	275.3	365.8	240.1	257.7

♥ Opening 1,334.0. 10 am 1,337.5. 11 am 1,338.4. Noon 1,342.3. 1 pm 1,345.8. 2 pm 1,346.2. 3 pm 1,346.2. 4 pm 1,344.9. Day's High 1,346.4. Day's low 1,333.7. Basis 100 Government Securities 15/10/26. Fixed interest 1928. Ordinary 1/7/35. Gold Mines 12/9/55. Activity 1974. Latest Index 01-246 8026. * Nil = 12.02.

HIGHS AND LOWS / S.E. ACTIVITY

	1986 High	1986 Low	Since Compilat'n High	Since Compilat'n Low	Indices	May 12	May 9
Govt. Secs.	94.51 (18/4)	80.39 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)	Daily Gilt Edged Bargains	142.6	155.9
Fixed Int.	97.51 (22/4)	86.55 (2/1)	150.4 (28/11/47)	50.53 (3/1/75)	Equities Bargains / Value	365.4 / 1608.0	299.5 / 1363.2
Ordinary	1425.9 (3/4)	1094.3 (14/1)	1425.9 (3/4/86)	49.4 (26/6/40)	5-Day Average Gilt Edged Bargains	155.1	151.9
Gold Mines	357.0 (27/1)	244.2 (18/4)	734.7 (15/2/83)	43.5 (26/10/71)	Equities Bargains / Value	178.7 / 1216.9	171.4 / 1284.2

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section

		Tues May 13 1986 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 29%)	Est. P/E Ratio (Net)	xd adj. 1986 to date	Mon May 12 Index No.	Fri May 9 Index No.	Thurs May 8 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (214)	727.13	+1.3	8.18	3.33	15.58	7.67	717.91	718.96	725.92	554.21
2	Building Materials (26)	800.31	+1.4	8.49	3.48	14.81	7.97	789.43	791.15	801.97	521.26
3	Contracting, Construction (29)	1196.76	+0.8	8.24	3.91	16.12	18.46	1187.09	1189.04	1205.76	738.64
4	Electricals (12)	1980.94	+0.9	7.52	3.84	17.66	29.92	1963.06	1943.83	1960.34	1507.58
5	Electronics (38)	1684.30	+1.6	8.64	2.70	15.40	9.74	1657.97	1661.00	1672.24	1646.32
6	Mechanical Engineering (63)	411.34	+1.7	9.18	3.84	13.76	5.77	404.59	404.18	409.41	311.84
8	Metals and Metal Forming (7)	351.91	+0.5	7.42	4.83	17.51	4.35	350.02	355.35	355.77	194.59
9	Motors (17)	291.11	+0.8	8.81	3.38	13.24	3.33	288.78	290.08	294.57	165.31
10	Other Industrial Materials (22)	1317.79	+1.0	6.21	3.00	19.36	13.80	1304.72	1306.23	1310.97	980.83
21	CONSUMER GROUP (183)	901.63	+1.0	7.71	3.14	16.27	8.18	892.73	893.10	896.56	657.37
22	Brewers and Distillers (22)	936.73	+2.0	9.00	3.34	13.52	7.20	918.30	923.30	915.72	596.63
25	Food Manufacturing (22)	665.41	+1.7	9.10	3.86	14.37	9.37	654.37	656.65	659.25	508.07
26	Food Retailing (15)	1874.69	+1.1	6.16	2.49	22.08	7.73	1854.61	1853.50	1865.05	1595.43
27	Health and Household Products (10)	1496.87	+1.2	5.62	2.25	20.94	6.52	1478.26	1461.43	1458.79	1033.50
29	Leisure (25)	858.78	+0.5	8.10	4.05	16.11	14.01	864.63	856.07	871.42	706.09
32	Publishing & Printing (14)	2365.54	—	7.08	4.00	18.02	28.02	2365.11	2404.40	2418.10	1772.44
33	Packaging and Paper (14)	465.90	—	7.40	3.43	16.92	4.29	465.83	469.51	471.49	320.30
34	Stores (42)	868.41	+0.7	6.53	2.65	20.81	5.27	862.39	862.46	872.12	634.49
35	Textiles (17)	516.93	+0.4	9.19	3.49	12.50	4.52	514.69	519.92	529.49	320.12
36	Tobaccos (2)	1065.97	-0.4	13.39	4.57	8.37	20.60	1070.42	1078.76	1073.89	832.05
41	OTHER GROUPS (66)	803.58	+2.1	8.32	3.68	15.34	6.38	787.22	785.59	787.08	715.84
42	Chemicals (19)	882.51	-0.2	10.46	4.59	11.56	16.72	884.11	887.57	890.52	753.47
44	Office Equipment (4)	278.00	-0.1	6.96	3.66	17.10	4.53	278.36	281.13	273.52	184.09
45	Shipping and Transport (12)	1554.90	+1.3	8.35	3.91	14.60	21.67	1535.32	1549.26	1583.85	1155.82
47	Telephone Networks (2)	931.73	+4.2	8.84	3.47	15.50	0.93	894.45	883.16	887.63	872.14
48	Miscellaneous (49)	1027.03	+1.5	6.23	3.23	19.72	6.73	1012.01	1007.74	1009.81	919.98
49	INDUSTRIAL GROUP (483)	842.49	+1.3	7.98	3.32	15.83	7.73	831.41	831.48	835.58	653.99
51	Oil & Gas (17)	1190.81	-1.3	17.25	7.58	6.92	40.53	1206.46	1172.94	1143.40	1179.33
59	500 SHARE INDEX (500)	873.67	+1.1	8.95	3.77	13.95	10.29	864.59	862.08	863.62	693.08
61	FINANCIAL GROUP (116)	611.60	+0.6	—	4.20	—	9.19	607.86	611.14	612.09	475.55
62	Banks (7)	679.25	+0.5	17.25	4.91	8.04	14.03	676.14	681.84	684.20	476.88
65	Insurance (Life) (9)	815.21	+1.3	—	4.48	—	17.27	804.92	810.33	812.35	724.73
66	Insurance (Composite) (7)	513.93	+1.2	—	4.83	—	8.00	508.04	511.90	509.10	358.72
67	Insurance (Brokers) (8)	1192.86	+0.9	8.78	3.97	14.79	20.59	1182.80	1205.89	1215.99	1113.83
68	Merchant Banks (11)	355.54	+0.2	—	3.06	—	1.60	354.95	352.78	351.61	232.43
69	Property (50)	748.85	+0.3	5.39	3.34	24.86	4.13	746.41	744.93	748.65	639.77
70	Other Financial (24)	348.26	-0.5	7.71	4.25	15.47	2.87	349.96	350.19	349.92	237.97
71	Investment Trusts (103)	749.60	+0.6	—	2.92	—	5.78	745.37	744.11	746.66	608.85
81	Mining Finance (3)	291.47	+1.8	12.28	5.47	9.49	6.11	286.23	289.50	281.95	297.02
91	Overseas Traders (14)	699.38	+2.2	11.92	5.91	9.99	11.72	684.33	682.88	678.52	668.04
99	ALL-SHARE INDEX (736)	797.09	+1.0	—	3.67	—	9.77	789.37	788.30	789.43	637.46

	Index No.	Day's Change	Day's High	Day's Low	May 12	May 9	May 8	May 7	May 6	Year ago
FT-SE 100 SHARE INDEX ‡	1623.3	+19.5	1626.2	1612.5	1603.8	1601.6	1602.6	1610.3	1626.2	1326.5

FIXED INTEREST

	PRICE INDICES	Tues May 13	Day's change %	Mon May 12	xd adj. today	xd adj. 1986 to date
	British Government					
1	5 years	123.78	+0.14	123.53	—	4.58
2	5-15 years	145.53	+0.30	145.09	—	5.94
3	Over 15 years	152.78	+0.60	152.10	—	5.67
4	Irredeemables	173.56	+0.34	170.98	—	6.87
5	All stocks	140.60	+0.26	140.23	—	4.81
	Index-Linked					
6	5 years	113.16	+0.11	113.03	—	0.81
7	Over 5 years	119.66	+0.48	119.09	—	1.34
8	All stocks	118.49	+0.42	117.99	—	1.14
9	Debentures & Loans	121.99	-0.37	122.44	—	4.76
10	Preference	89.56	-0.08	89.63	—	2.97

	AVERAGE GROSS REDEMPTION YIELDS		Tues May 13	Mon May 12	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	7.81	7.85	10.69
2		15 years	8.75	8.79	10.93
3		25 years	8.76	8.81	10.84
4	Medium Coupons	5 years	8.81	8.83	11.83
5		15 years	9.09	9.14	11.12
6		25 years	8.98	9.04	10.81
7	High Coupons	5 years	9.26	9.28	12.06
8		15 years	9.20	9.25	11.71
9		25 years	8.94	8.99	11.06
10	Irredeemables		8.67	8.70	10.15
	Index-Linked				
11	Inflat'n rate 5%	5 yrs	3.30	3.34	[illegible]
12	Inflat'n rate 5%	Over 5 yrs	3.26	3.26	[illegible]
13	Inflat'n rate 10%	5 yrs	2.23	2.26	[illegible]
14	Inflat'n rate 10%	Over 5 yrs	3.11	3.13	[illegible]
15	Debs & Loans	5 years	10.18	10.12	12.19
16		15 years	10.49	10.83	11.89
17		25 years	10.52	10.45	11.71
18	Preference		10.72	10.71	12.63

‡Opening index 1612.5; 10 am 1616.2; 11 am 1616.2; Noon 1621.2; 1 pm 1624.1; 2 pm 1624.8; 3 pm 1626.1; 3.30 pm 1626.0; 4 pm 1625.7

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Allied-Lyons	335	+10
Burmah Oil	355	-22
Costain	510	+12
Foseco Minsep	287	+18
Hestair (Nil-pd)	52pm	+10
Morris (Wm) Fine A.	[illegible]	[illegible]
Pritchard Servs.	118	+33
RHP	203	+7
RHM	[illegible]	[illegible]
Sears	118	+2
Stainless Metalcraft	220	+12
Weir	120	+7

MONDAY'S ACTIVE STOCKS

Stock	No. of changes	Mon. close	Day's change
Glaxo	20	953	+28
Amstrad	17	218	+28
Helical Bar	15	195	[illegible]
Hestair	15	150xd	-5½
BOC	15	328	+3
Prichard Servs.	13	85	+6
Sound Diffsn.	13	38	+4
Cable & Wire.	12	645	—
Rank Organ.	12	577	-12
Tozer Kemsley	12	191	-9
Dupont	11	136	+11
Shell Trans.	11	775	+22

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	94	4	13
Corpns. Dom. & Foreign Bonds	6	25	39
Industrials	441	213	840
Financial & Props	139	102	326
Oils	29	28	63
Plantations	0	2	13
Mines	19	50	111
Others	68	64	84
Totals	796	488	1,496

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (108)

BRITISH FUNDS (10), FOREIGN BONDS (1), AMERICANS (2), BANKS (1), BREWERS (1), BUILDINGS (4), CHEMICALS (2), STORES (3), ELECTRICALS (5), ENGINEERING (8), FOODS (4), INDUSTRIALS (25), INSURANCE (1), LEISURE (6), PAPER (6), PROPERTY (5), TEXTILES (4), TRUSTS (11), OILS (4), OVERSEAS TRADERS (1).

NEW LOWS (30)

AMERICANS (1) Eaton Corp. CANADIANS (2) Inco Engy., Rio Algom. BUILDINGS (1) [illegible]. STORES (1) Goodman Bros. ELECTRICALS (2) Micel Corp, Philips Lamps. FOODS (1) Assoc. Fisheries. HOTELS (1) Savoy A. INDUSTRIALS (4) High-Point Servs. INSURANCE (2) Heath (C. E.), Minet. LEISURE (2) SeaCo, Television South. SHIPPING (1) Sea Containers. TRUSTS (2) Britannia Arrow SpcCnv. '96-2000, Throgmorton USM Tst. OILS (6) [illegible] Petroleum, Petrocon, Warrior Res. MINES (10) F.S. Cons. Gold, OFS Invs., Balmoral Res., MIM, North Broken Hill, North Kalgurli, Oakbridge, Whim Creek, Tanjong Tin, Homestake Mining.

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. date	1986 High	1986 Low	Stock	Closing price p	+or-	Net dividend	Times covered	Gross yield	P/E Ratio
[illegible]											

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1986 High	1986 Low	Stock	Closing price £	+or-
[illegible]							

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renunc. date	1986 High	1986 Low	Stock	Closing price p	+or-
[illegible]							

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. d Assumed dividend and yield. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and yield based on prospectus or other official estimates for 1987. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. t Indicated dividend; cover relates to previous dividend, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. § Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ¶ Introduction. ** Issued by way of capitalisation. §§ Placing price. Reintroduced. Issued in connection with reorganisation, merger or takeover. Allotment price. Unlisted securities market. Dealt in under Rule 535 (3). ● Dealt in under Rule 535 (4).

EUROPEAN OPTIONS EXCHANGE

Series		May Vol.	May Last	Aug. Vol.	Aug. Last	Nov. Vol.	Nov. Last	Stock
[illegible]								

TOTAL VOLUME IN CONTRACTS: 41,435.

A=Ask B=Bid C=Call P=Put

LONDON TRADED OPTIONS

Option		CALLS July	CALLS Oct.	CALLS Jan.	PUTS July	PUTS Oct.	PUTS Jan.
[illegible]							

May 13 Total contracts 13,786 Calls 10,531 Puts 3,255 *Underlying security price.

مركز الاهرام

WORLD STOCK MARKETS

AUSTRIA

May 13	Price Sch.	+ or −
Credit'stalt pp.	2,570	−60
Goesser	3,580	−50
Interunfall	15,100	−300
Jungbunzlauer	19,600	−600
Laenderbank	2,420	−30
Perlmooser	750	+16
Steyr-Daimler	186	−2
Veitscher Mag.	11,200	−110

BELGIUM/LUXEMBOURG

May 13	Price Frs.	+ or −
B.B.L.	3,950	......
Banq. Gen. Lux	16,600	......
Banq. Int. A. Lux	16,800	......
Bekaert	13,400	......
Ciment CBR	3,970	−20
Cockerill	160	−5
Delhaize	11,400	......
EBES	4,615	−175
Electrobel	14,800	−300
Fabrique Nat.	2,595	−5
GB Inno BM	7,370	......
GBL (Brux)	3,610	−20
Generale Bank	6,790	......
Gevaert	6,220	+170
Hoboken	7,600	......
Intercom	3,955	−40
Kredietbank	15,525	......
Pan Hidgs.	11,150	......
Petrofina	7,920	+60
Royale Belge	23,600	−450
Soc. Gen. Belge	3,195	−35
Sofina	10,300	−700
Solvay	8,400	+60
Stanwick Intl.	460	......
Tractional	5,590	−20
UCB	7,150	−50
Wagon Lits	5,940	+130

DENMARK

[illegible]

FRANCE

[illegible]

GERMANY

May 13	Price Dm.	+ or −
AEG	330.6	−8.2
Allianz Vers	2,475	+2
BASF	277.9	−0.6
Bayer	291	−0.8
Bayern Hypo	565	−20
Bayer-Verein	565	+5
BHF-Bank	517	+7
BMW	567	−5
Brown Boveri	320	−5.5
Commerzbank	316.5	−3.5
Cont. Gummi	219	−6.2
Daimler-Benz	1,300	−5
Degussa	461.5	+3.5
D'sche Babcock	190.5	−1.5
Deutsche Bank	788	−17
Dresdner Bank	432	+0.5
GHH	230.5	......
Henkel	408	+1
Hochtief	925	−2
Hoechst	280xr	−1.8
Hoesch Werke	175	+1.8
Holzmann (P.)	585	+5
Horten	197	......
Hussel	483	+2
Karstadt	335	−1
Kaufhof	442	+7
KHD	254	−4.5
Kloeckner	91.5	+0.4
Linde	692.5	−10.5
Lufthansa	238	−4
MAN	200	−1
Mannesmann	227.5	+1.5
Mercedes Hld.	1,128	−12
Metallgesell	340	−4
Muench Rueck	3,000	−160
Nixdorf	593	−0.5
Porsche	1,060	−0.5
Preussag	201	−4
Rhein West Elect.	228.5	−3
Rosenthal	365	−9
Schering	530	+10
Siemens	613	......
Thyssen	160.5	−1.5
[illegible]	[illegible]	[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NORWAY

May 13	Price Kroner	+ or −
Bergens Bank	160	−7.5
Borregaard	340	−3
Christiania Bk.	156	−8
Den Norsk Credit	149.5	−5.5
Elkem	115	......
Kosmos	143	......
Kvaerner	147	−9
Norcem	97	−10.5
Norsk Data	449	+2
Norsk Hydro	140	+2
Storebrand	210	−10

SPAIN

May 13	Price Pts %	+ or −
Bco Bilbao	920	......
Bco Central	685	+10
Bco Exterior	470	+20
Bco Hispano	440	......
Bco Popular	1,100	+25
Bco Santander	714	+12
Bco Vizcaya	1,320	......
Dragados	397	−21
Hidrola	135.5	−6.5
Iberduero	191.5	−9.5
Petroleos	382	......
Telefonica	220	−8.5

SWEDEN

May 13	Price Kroner	+ or −
AGA	205	......
Alfa-Laval B	372	+3
ASEA (Free)	330xc	+2
Astra (Free)	570	+5
Atlas Copco	223	+6
Cardo (Free)	303	......
Cellulosa	222	......
Electrolux B	296	+3
Ericsson B	278	+3
[illegible]	[illegible]	[illegible]

SWITZERLAND

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

JAPAN

[illegible]

JAPAN (continued)

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO

Prices at 2.30pm May 13

[illegible]

... Total Sales 4,649,977 shares

MONTREAL

Closing prices May 12

[illegible]

Indices

NEW YORK-DOW JONES

	May 13	May 12	May 9	May 8	May 7	May 6	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Industrials	1,783.48*	1,787.33	1,789.43	1,786.21	1,775.30	1,787.95	1855.9 (21/4/86)	1502.29 (22/1/86)	1855.90 (21/4/86)	41.22 (2/7/32)
Transport	782.02*	784.96	788.03	783.80	783.37	788.82	830.84 (31/3/86)	688.97 (9/1/86)	830.84 (31/3/86)	12.32 (8/7/32)
Utilities	181.41*	181.98	182.91	183.73	181.77	183.73	193.73 (31/3/86)	168.47 (22/1/86)	193.73 (31/3/86)	10.5 (28/4/42)
Trading vol		125m	137m	136m	138m	121m	−	−	−	−

	May 2	April 25	April 18	Year Ago (Approx)
Ind Div Yield %	3.67	3.55	3.54	4.9

STANDARD AND POORS

	May 13	May 12	May 9	May 8	May 7	May 6	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Industrials	263.87*	265.61	265.01	265.98	263.68	264.70	271.68 (21/4)	224.88 (22/1)	271.68 (21/4/86)	3.62 (30/6/32)
Composite	235.26*	237.58	237.85	237.86	236.88	237.24	244.74 [illegible]	203.49 [illegible]	244.74 [illegible]	4.40 (1/6/32)

[illegible]

	May 13	May 12	May 9	May 8	1986 High	1986 Low
AUSTRALIA All Ord. (1/1/80)	1201.8	1218.5	1252.1	1242.8	1247.8 (7/5)	1018.8 (2/1)
Metals & Minls. (1/1/80)	485.1	495.4	505.6	510.9	882.0 (24/5)	485.1 (13/5)
AUSTRIA Credit BK Aktien (2/1/62)	127.16	125.91	128.74	(c)	130.69 (25/4)	110.12 (6/8)
BELGIAN Brussels SE (1/1/80)	8671.98	3688.80	(c)	(c)	3708.16 (24/4)	2768.91 (15/1)
DENMARK Copenhagen SE (3/1/83)	228.57	256.44	256.98	(c)	260.78 (18/4)	214.37 (21/1)
FRANCE CAC General (31/12/82)	407.1	418.6	407.50	(c)	418.6 (12/5)	287.8 (2/1)
Ind Tendance (31/12/85)	151.9	154.3	155.58	(c)	154.3 (12/5)	101.9 (2/1)
GERMANY FAZ Aktien (31/12/58)	854.21	852.19	879.85	(c)	755.88 (17/4)	619.54 (27/2)
Commerzbank (1/12/53)	1981.6	1965.2	2049.5	(c)	2278.8 (17/4)	1865.6 (27/2)
HONG KONG Hang Seng Bank (31/7/64)	1805.75	1852.50	1862.21	1864.21	1865.65 (7/5)	1558.94 (19/3)
ITALY Banca Comm Ital. (1972)	828.86	819.47	824.98	815.87	826.86 (13/5)	454.67 (24/1)
JAPAN** Nikkei (16/5/49)	15982.3	16105.2	16194.98	16078.24	16194.98 (9/5)	12881.5 (21/1)
Tokyo SE New (4/1/68)	1261.05	1274.27	1280.85	1266.18	1280.85 (9/5)	1025.85 (21/1)
NETHERLANDS ANP.CBS General (1970)	259.8	260.7	262.7	(c)	273.8 (17/4)	248.4 (5/3)
ANP.CBS Indust (1970)	246.8	249.1	252.4	(c)	259.7 (17/4)	234.8 (5/3)
NORWAY Oslo SE (4/1/83)	342.92	352.25	353.93	(c)	402.91 (16/1)	333.88 (9/5)
SINGAPORE Straits Times (30/12/66)	597.68	590.42	584.41	584.82	644.89 (8/1)	565.54 (28/4)
SOUTH AFRICA JSE Gold (28/9/78)	—	1178.8	1190.2	(c)	1507.9 (27/1)	1189.1 (21/4)
JSE Indust (28/9/78)	—	1145.7	1126.9	(c)	1205.1 (28/3)	1069.3 (2/1)
SPAIN Madrid SE (30/12/85)	191.29	194.77	190.86	185.82	194.77 (12/5)	100.83 (6/1)
SWEDEN Jacobson & P (31/12/56)	2292.95	2245.84	2247.85	(c)	2372.95 (22/4)	1729.57 (29/1)
SWITZERLAND Swiss BankCpn (31/12/58)	576.4	584.6	590.7	(c)	625.5 (8/1)	564.7 (28/2)
WORLD M.S. Capital Intl. (1/1/70)	—	321.9	322.0	320.7	322.2 (21/4)	249.8 (25/1)

** Saturday May 10: Japan Nikkei (c). TSE (c).

Base value of all indices are 100 except Brussels SE—1,000, JSE Gold—255.7, JSE Industrial—264.3, and Australia. All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities. 40 Financials and 20 Transports. c Closed. u Unavailable.

LONDON Chief price changes (in pence unless otherwise indicated)

RISES

Tr 8% 2009	£21¼	+ ½
Alexon	146	+ 7
Allied-Lyons	335	+10
Assoc Brit Foods	340	+20
Bevan (DF)	50	+12
BHP	378	+21
Dataserv	190	+20
Desoutter Bros	315	+27
Foseco Minsep	287	+18
Noble & Lund	126	+12
Pentland Inds	735	+65
Plessey	224	+ 8
Polly Peck	181	+10
Pritchard Servs	118	+13
RHP	190	+11
Ratcliffe (FS)	195	+22
Runciman (Walt.)	130	+16
Sekers Int	110	+ 8
SeleTV	26	+ 5
Tarmac	462	+16
Trafalgar Hse	312	+14
Unigate	287	+10
Utd Biscuits	245	+ 7
WSL	190	+ 9
Warehouse	£12½	+ 3
Woolworth	805	+20

FALLS

BOC	322	−10
Burmah Oil	355	−22
Stylo	220	−28
Syltone	164	−18

OVER-THE-COUNTER Nasdaq national market, 2.30pm prices

Continued from Page 49

[illegible]

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Prices at 3pm, May 13

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
24	11¼	AAR s	.44	2.0	21	240	22⅝	22⅛	22¼	-¼
28½	11½	AFG s			17	88	26⅞	26¾	26¾	-⅛
25⅜	12¾	AGS			15	112	21⅛	20⅞	21	+⅛
15	9⅞	AMCA				2	13¼	13¼	13¼	
60⅜	37½	AMR			11	4748	55⅜	54⅛	55¼	+1¼
25¾	18⅝	AMR pf	2.18	8.6		5	25⅜	25⅜	25⅜	
12½	7⅝	APL			7	15	11⅜	11⅜	11⅜	-⅛
16¾	11	ARX	.71t	5.0	13	45	14¼	14¼	14¼	-⅛
53⅜	33¾	ASA	2a	5.4		87	37⅛	36¾	36¾	-⅜
18⅝	10½	AVX		2.9		72	14⅛	13⅞	14⅛	+¼
32	22⅝	AZP	2.72	9.7	7	872	28⅝	28	28	
91⅞	52	AbtLab	1.68	2.0	21	1301	85¾	85	85⅛	+⅛
44⅝	43	AbtLb wi				28	43⅝	43⅛	43⅝	+¼
31⅞	19⅝	AccoWd	.50	1.7	21	82	29⅛	29	29⅛	+⅛
24¾	10	AcmeC	.40	3.0		69	13¼	12⅞	13⅛	
8¼	7	AcmeE	.32b	3.9	20	21	8¼	8¼	8¼	-⅛
29	18⅝	AdaEx	1.90e	9.6		38	20	19¾	19⅞	+⅛
29	15	AdmMl	.40	1.6	12	5	25¾	25¾	25¾	+⅛
20⅜	10¼	AdvSys	.83t	4.8	16	75	17¼	16¾	17¼	+⅝
32⅞	22⅞	AMD				3198	27⅞	26⅝	26¾	-¾
12⅝	8¼	Adobe n				30	9¾	9⅝	9⅝	
18⅜	14⅝	Adob pf	1.84	11.		14	17⅛	16⅞	17	-⅛
20¼	15¼	Adob pf	2.40	12.		60	20	19¾	19¾	-⅛
19½	8⅛	Advest	.12a	.6	13	567	18¾	18⅛	18⅝	+¾
68¼	42¼	AetnLf	2.64	4.4	11	7962	60½	59¾	59¾	-¾
57½	52⅛	AetL pf	4.87e	9.3		42	53¼	53¼	53¼	
101½	99¾	AetL pfC	2.55e	2.6		40	100¼	100	100	-¼
69¼	29	Ahmns	1.38	2.3	7	1505	60¾	59⅞	60⅛	-½
4¾	2½	Aileen			88	701	4⅜	4¼	4⅜	+⅛
83⅜	50⅜	AirPrd	1.48	2.0	15	939	75½	74⅞	75⅛	-⅜
27¾	18¼	AirbFrt	.60	2.7	19	212	22¾	22⅛	22⅛	-⅜
2⅛	⅜	AlMoan	.50c			196	½	15-32	½	+1-32
29¼	26⅝	AlaP pf	2.27e	8.2		500	27⅝	27⅝	27⅝	+⅜
10¼	7½	AlaP dpf	.87	8.6		24	10	9⅞	9⅞	
101¼	66⅞	AlaP pf	8.16	8.1		107	101¼	101¼	101¼	
90¾	67¼	AlaP pf	8.28	9.4		z100	88	88	88	-1½
26⅜	15¼	AlskAir	.16	.8	13	807	20⅛	19⅞	20⅛	+⅛
25	7⅞	Albrto s	.21	1.0	28	34	22¼	21½	22	+¾
39	26⅞	Albtsns	.84	2.4	14	649	35¼	34¼	35⅛	+1⅛
34⅝	22¾	Alcan	.80	2.7		1234	29⅝	29⅛	29¼	
46¾	32	AlcoStd	.24	3.0	19	x252	41⅛	41⅛	41⅛	
38¾	28	AlexAlx	1	2.7		563	38	37	37⅝	+⅝
47½	22½	Alexdr			79	702	45	40	41¼	-2¾
101	75½	AllgCp	1.54t	1.6	20	8	94½	94⅛	94⅛	-⅛
28¾	16½	AlgInt	.35j	1.5		449	23⅜	23⅛	23⅛	+⅛
20¾	15⅛	AlgIn pf	2.19	12.		7	18⅝	18⅝	18⅝	-⅛
98	78	AlgI pfC	11.25	12.		9	92	92	92	-¼
41½	28⅛	AllgPw	2.80	7.1	10	173	39½	39¼	39¼	-⅛
27¼	14⅝	AllenGs	.56	2.5	14	450	22⅝	22⅜	22⅝	+¼
43	16½	AlldPd			12	33	38⅝	38½	38⅝	-⅜
54½	42	AldSgn n	1.80b	3.7		7302	49⅛	48¾	48⅞	+⅛
66	58¾	AldS pfC	6.74	12.		231	58¾	d58½	58½	-1¼
114⅜	103½	AldS pfD	12	12.		26	104¾	d102¾	102¾	-2
42½	25⅛	AldStr s	1.16	2.8	11	1195	42¼	41¾	42	-¼
9¾	4⅜	AlldSup				460	8⅝	8½	8⅝	+¼
7⅜	3⅛	AllisCh				175	5½	5⅛	5½	+¼
40¾	26¾	AllisC pf				5	36	36	36	
38⅞	28½	ALLTL	1.96	5.4	11	56	36	35¾	36	+⅛
46⅝	31¼	Alcoa	1.20	3.1		4320	39¾	39	39	-⅝
17	10½	Amax				728	14⅞	14⅝	14⅝	-¼
32¼	18⅞	AmHes	.27j			1554	22⅛	21⅝	21¾	-¼
135	85	AHes pf	3.50	3.6		2	96¾	96	96	-2
2	1⅛	AmAgr				1338	1⅜	1¼	1⅜	+⅛
31¼	18⅝	ABakr			11	488	29½	29	29¼	
99¼	53¼	ABrand	4.05	4.5	12	5209	92⅝	88	88⅞	-3⅞
34⅜	27⅜	ABrd pf	2.75	8.2		12	33½	33⅜	33⅜	
30⅛	20⅞	ABldM	.86	3.2	19	7	26½	26½	26½	+¼
79¾	50¾	AmCan	2.90	4.2	11	873	70⅝	69	69⅜	-1¼
119½	110½	ACan pf	13.75	12.		1	117¾	117¾	117¾	+¾
24¾	19½	ACapBd	2.20	9.1		31	24⅜	24⅛	24¼	-⅛
32⅞	25¾	ACapCv	2.73e	9.0		28	30½	30⅜	30⅜	
24¼	18⅞	ACMR n	.15e	.8	14	178	19½	d18¾	18¾	-½
74	48	ACyan	1.90	2.7	25	1134	71½	69⅞	70⅛	-1⅜
30	21¾	ADT	.92	3.2		240	29	28⅝	28⅝	-¼
28⅝	19⅞	AElPw	2.26	9.2	10	3031	25	24½	24½	-⅜
70⅛	40⅜	AmExp	1.36	2.3	14	7215	60	58⅝	59½	+⅝
32½	14⅞	AFaml s	.40	1.3	20	577	31½	31	31	
43⅛	27¼	AGnCp	1.12	2.9	11	1411	38¾	37¾	38¼	-⅜
22¾	10¼	AGnl wt				217	19⅞	19⅜	19½	-⅛
56¾	53	AGnl pfA	4.93e	9.1		2	54⅜	54⅜	54⅜	+¼
44⅛	30⅝	AHerit	1.32	3.2	15	5	41¼	41¼	41¼	+¼
13⅜	8¼	AHoist				99	9⅛	9	9	-⅜
25¼	19¼	AHoist pf	1.95	8.1		2	24⅛	24⅛	24⅛	-⅜
88⅜	54¾	AHome	3.10	3.8	17	1671	81⅝	80⅞	81¼	+⅛
125	85¾	Amrtch	7.08	6.0	11	1125	119½	118	118⅛	-¼
141	80⅜	AInGrp	.44	.4	20	618	121¼	118⅞	120⅜	-⅛
28⅝	16	AMI	.72	3.7	65	1607	19⅜	19	19⅜	+⅛
5	2¼	AmMot				1293	4⅛	3⅞	4	
25⅜	13⅞	APresd	.50	2.0		812	25¼	24¾	24¾	-⅛
13½	5¾	ASLFla				253	12⅝	12⅜	12½	
20¾	13¼	ASLFl pf	2.19	11.		22	19¾	19¾	19¾	-⅛
15⅜	9⅞	AShip	.80	7.4	8	52	11⅛	10⅞	10⅞	
46⅞	27	AmStd	1.60	3.9	31	2025	41½	40⅞	40⅞	-⅝
68¼	52⅛	AmStor	.84	1.5	14	264	57¼	56⅞	57	
78	63	AStr pfA	4.38	6.4		139	68¾	68½	68½	-¼
61½	54¾	AStr pfB	6.80	12.		11	58¼	58	58	-¼
26	19⅞	AT&T	1.20	4.9	16	15136	24⅝	24⅛	24¼	-¼
50	37⅞	AT&T pf	3.64	7.4		305	48⅞	48⅞	48⅞	-⅛
50½	39	AT&T pf	3.74	7.6		26	49⅜	49⅜	49⅜	-⅛
39	21¾	AmWtr	1.12	2.9	12	48	38¼	37¾	38¼	
15¾	11¼	AWat pf	1.25	8.1		z400	15½	15	15½	+⅜
22⅝	9¼	AmHotl				152	10½	10⅜	10⅜	
32½	10¾	ATr sc				6	29⅞	28⅞	29	+¼
107½	78	ATr un	5.92	5.6		4	105½	105½	105½	+½
30	16⅞	Amerns	.96	3.6	11	10	27⅛	27	27	-¼
34⅝	19¼	AmesDs	.10	.3	27	288	32⅛	31⅝	31⅝	-⅝
30⅞	19⅞	Ametek	1	3.5	18	118	29	28¾	28¾	-¼
11⅝	9¾	AmevSt	.08	9.6		59	11¼	11	11¼	+⅛
31¾	22	Amfac			25	160	29½	28⅞	28⅞	-½

Continued on Page 49

NYSE COMPOSITE PRICES

Continued from Page 48

X Y Z

72¼	45¾	Xerox	3	5.1	14	1144	59	58⅝	58⅝	−¾
58¾	52⅜	Xerox pf5.45		9.5		5	57¾	57½	57½	−¼
28¾	20⅝	XTRA	.64	2.6		80	24⅞	24⅝	24⅝	−⅛
17	13½	Yorkin n				377	14⅝	14¼	14½	
37	26¼	ZaleCp 1.32		3.9	13	24	33⅝	33⅝	33⅝	+⅛
13½	3½	Zapata .03j				828	4¼	4⅛	4¼	
80	47¾	Zayre	.64	.9	23	694	75	74⅝	74¾	+½
29⅞	16¾	ZenithE				1342	28¼	27¾	27¾	−½
36⅝	17¾	ZenLbs.10i		.4	19	2975	29⅞	27¾	28¼	−¾
22⅝	14	Zero s	.29	1.5	19	112	19⅞	19½	19⅝	+⅛
45¾	29½	Zumin 1.32		3.2	15	24	41⅞	41⅞	41⅞	−⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

AMEX COMPOSITE PRICES

Prices at 3pm, May 13

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued on Page 47

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Dollar, oil and rates take toll

THE SLUGGISH trend continued on Wall Street yesterday as stocks traded around their recent levels despite a firmer move in the bond market, *writes Terry Byland in New York.*

An early improvement in blue chips was halted when selling programmes were triggered by a fall in stock index futures.

At the close the Dow Jones industrial average was 1.99 down at 1,785.34.

Comments on the dollar by Mr James Baker, US Treasury Secretary, and on inflation by Mr Paul Volcker, Fed chairman, sent bonds higher after a dull start. The trend was set in the bond futures market where the June contract jumped by a full point.

Bond prices were also helped by news from the Commerce Department that US retail sales gained only 0.5 per cent last month, about half of the increase expected by Wall Street analysts.

But the stock market continued to consolidate as traders viewed prospects for domestic interest rates, the dollar and oil prices. Many analysts believe that "the good news is now behind us," and expect the market to undergo a further correction phase.

Oil price uncertainty was mirrored in a downturn in crude oil futures on the New York Mercantile Exchange, which brought a reversal of this week's gains in oils. However, losses were minor, Exxon easing $⅝ to $59 and Atlantic Richfield $⅞ to $56⅝.

But airlines moved higher, hoping to see the downward slide in fuel prices renewed. American led the domestic carriers with a gain of $1¼ to $55¼. Among the more international airlines, both TWA, up $⅜ at $13⅜, and Pan Am, up $⅛ at $6⅝, found supporters.

However, the Dow transportation average was depressed by weakness in rail issues, notably Norfolk Southern, down $2⅝ at $83½ on market doubts on the cost implications of its new $1.9bn bid for Conrail.

Softness in IBM, down $⅝ at $149⅝, was no help to the market. Other technology stocks were also lower, the feature being a drop of $1¼ to $59½ in Burroughs as the arbitrageurs awaited the next move in the board's $4bn bid for Sperry.

Sperry at $72½ shaded $⅝ in very heavy turnover, remaining above the $70-a-share tender offer from Burroughs. Heavy arbitrage positions now ride on hopes that Burroughs will be obliged to sweeten its terms.

Digital Equipment eased $⅝ to $88⅝ and Honeywell $⅛ to $77⅝. Among the personal computer manufacturers Apple shed $⅝ to $35⅛.

Union Carbide eased $⅛ to $23⅞, trimming Monday's late rise on a ruling by a US federal judge that the Bhopal claims should be judged in India, a move preferred by Carbide.

The rest of the chemical sector was mixed, in a cautious response to the dollar's weakness, which benefits industry earnings.

However, Merck, the pharmaceutical leader, rose sharply in response to the weakness in the US currency, which helps it in export markets. At $180¼ Merck added $1¼. Upjohn, still benefiting from its new anti-baldness drug, gained $1 to $86⅛.

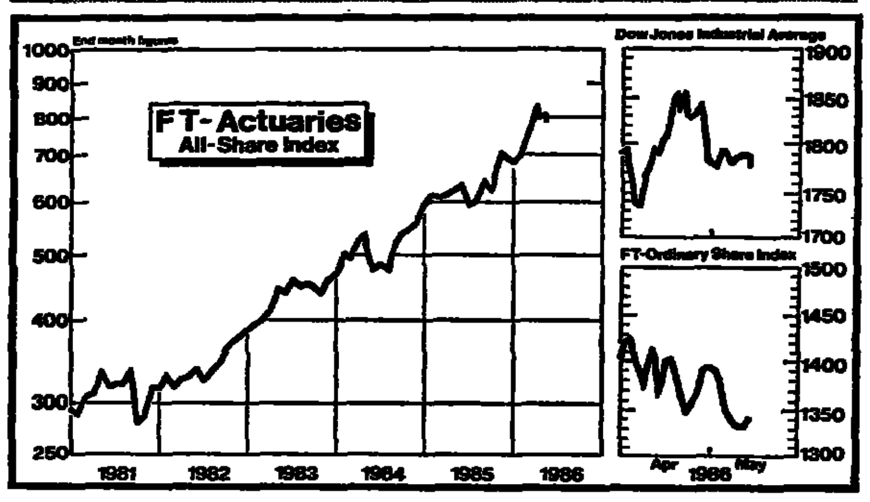
Corporate trading reports brought some features without enlivening the market as a whole. Texaco, firm at first, eased $⅛ to 32¾ after the stockholders' annual meeting was warned that lower oil prices might mean lower earnings in the next quarter.

J. C. Penney put on $1⅜ to $76⅛ after announcing sharply higher profits, in confirmation of a recent forecast. The Limited, the Chicago retailer, eased $⅛ to $43⅛ after profits news.

Financial stocks paused after the advance in recent trading sessions. Citicorp eased $⅛ to $48½ and Bankers Trust $1 to $45. The firm exception once again was American Express, up $⅝ at $59½.

Bond markets looked very firm by midsession, after Mr Volcker had commented favourably on the outlook for inflation. The long end of the market was ½ point higher. Treasury bill rates edged up two basis points, but CD rates turned down

KEY MARKET MONITORS



STOCK MARKET INDICES

	May 13	Previous	Year ago
NEW YORK			
DJ Industrials	1,781.87*	1,787.33	1,277.5
DJ Transport	781.89*	784.96	617.36
DJ Utilities	181.36*	181.98	158.85
S&P Composite	236.14*	237.58	184.61
LONDON			
FT Ord	1,341.2	1,330.5	1,012.3
FT-SE 100	1,623.3	1,603.8	1,333.0
FT-A All-share	797.09	789.37	637.44
FT-A 500	873.67	864.59	698.08
FT Gold mines	253.6	258.1	511.3
FT-A Long gilt	9.10	9.11	10.76
TOKYO			
Nikkei	15,982.3	16,105.23	12,541.6
Tokyo SE	1,261.03	1,274.27	981.36
AUSTRALIA			
All Ord.	1,201.8	1,218.3	892.7
Metals & Mins.	485.1	495.4	573.2
AUSTRIA			
Credit Aktien	127.16	123.91	94.70
BELGIUM			
Belgian SE	3,671.99	3,698.8	2,233.97
CANADA			
Toronto			
Metals & Minls	2,049.0	2,059.4	2,016.0
Composite	3,072.0	3,068.9	2,648.1
Montreal			
Portfolio	1,503.69	1,559.30	130.39
DENMARK			
SE	229.57	236.44	186.22
FRANCE			
CAC Gen	407.1	410.6	220.2
Ind. Tendance	151.9	154.3	78.58
WEST GERMANY			
FAZ-Aktien	654.21	652.19	428.11
Commerzbank	1,981.6	1,963.2	1,251.2
HONG KONG			
Hang Seng	1,803.73	1,832.5	1,628.29
ITALY			
Banca Comm.	826.06	819.47	294.47
NETHERLANDS			
ANP-CBS Gen	258.6	260.7	209.1
ANP-CBS Ind	246.0	249.1	171.9
NORWAY			
Oslo SE	342.02	352.25	334.48
SINGAPORE			
Straits Times	597.68	590.42	801.64
SOUTH AFRICA			
JSE Golds	–	1,179.8	1,091.1
JSE Industrials	–	1,145.7	922.7
SPAIN			
Madrid SE	191.29	194.77	82.23
SWEDEN			
J & P	2,292.05	2,245.64	1,424.75
SWITZERLAND			
Swiss Bank Ind	576.4	584.6	433.0
WORLD	May 12	Prev	Year ago
MS Capital Int'l	321.9	322.0	206.1

COMMODITIES

(London)	May 13	Prev
Silver (spot fixing)	333.70p	337.50p
Copper (cash)	£923.00	£924.00
Coffee (May)	£1,856.00	£1,952.50
Oil (Brent blend)	$13.60	$14.40

GOLD (per ounce)

	May 13	Prev
London	$343.00	$345.25
Zürich	$344.00	$345.45
Paris (fixing)	$345.04	$348.98
Luxembourg	$343.85	$344.75
New York (June)	$345.10	$345.50

CURRENCIES

(London)	US DOLLAR May 13	US DOLLAR Previous	STERLING May 13	STERLING Previous
$	–	–	1.5345	1.546
DM	2.196	2.174	3.37	3.36
Yen	162.8	161.05	249.75	249.0
FFr	7.0	6.9225	10.7425	10.7025
SFr	1.8255	1.8025	2.8	2.7875
Guilder	2.475	2.448	3.7975	3.785
Lira	1,506.5	1,492.0	2,312.0	2,307.0
BFr	44.85	44.4	68.85	68.65
C$	1.3785	1.3805	2.1195	2.1342

INTEREST RATES

	May 13	Prev
Euro-currencies (3-month offered rate)		
£	10¼	10$^{15}/_{16}$
SFr	4⅜	4¼
DM	4⅝	4$^{9}/_{16}$
FFr	7⅜	7$^{7}/_{16}$
FT London Interbank fixing (offered rate)		
3-month US$	7$^{1}/_{16}$	6$^{15}/_{16}$
6-month US$	7$^{1}/_{16}$	6⅞
US Fed Funds	6$^{13}/_{16}$*	6⅞
US 3-month CDs	6.65*	6.65
US 3-month T-bills	6.075*	6.32

US BONDS

Treasury

		May 13* Price	May 13* Yield	Prev Price	Prev Yield
6⅝	1988	99$^{19}/_{32}$	6.960	99$^{14}/_{32}$	6.934
7⅜	1993	98$^{31}/_{32}$	7.57	99$^{22}/_{32}$	7.541
7⅜	1996	98$^{6}/_{32}$	7.62	98$^{11}/_{32}$	7.615
7¼	2016	97$^{29}/_{32}$	7.42	98$^{16}/_{32}$	7.375

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	May 13* Return index	May 13* Day's change	Yield	Day's change
1–30	149.92	+0.15	7.6	–0.03
1–10	142.84	+0.27	7.41	–0.04
1– 3	134.69	+0.08	7.11	–0.02
3– 5	144.69	+0.19	7.6	–0.04
15–30	175.35	–0.26	8.22	+0.02

Source: Merrill Lynch

Corporate	May 13* Price	May 13* Yield	Prev Price	Prev Yield
AT & T				
3⅞ July 1990	89⅝	6.86	89.00	6.99
SCBT South Central				
10⅞ Jan 1993	106½	7.81	106⅜	7.88
Phibro-Sal				
8 April 1996	98⅜	8.25	98	8.29
TRW				
8⅞ March 1996	102	8.35	103.32	8.10
Arco				
9⅞ March 2016	106⅜	9.2	106⅛	9.22
General Motors				
8⅛ April 2016	93⅞	8.72	93½	8.74
Citicorp				
9⅜ March 2016	98½	9.52	98½	9.52

Source: Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
June	97–26	98–05	96–00	97–06
US Treasury Bills (IMM) $1m points of 100%				
June	93.98	94.00	93.87	93.96
Certificates of Deposit (IMM) $1m points of 100%				
June	n/a	n/a	n/a	93.4
LONDON				
Three-month Eurodollar $1m points of 100%				
June	93.08	93.09	92.98	93.11
20-year Notional Gilt £50,000 32nds of 100%				
June	125–05	125–05	123–18	124–14

* *Latest available figures*

TOKYO

Waiting for a new lead from yen

INVESTORS moved to the sidelines in Tokyo yesterday in an attempt to get a clearer picture of the outlook for the yen in relation to the dollar, *writes Shigeo Nishiwaki of Jiji Press.*

High-technology shares rallied in the afternoon but many leading issues eased, with only speculative issues traded actively.

The Nikkei stock average lost 188 points at one stage, but finished 122.97 down at 15,982.26. Volume further contracted to 475m shares from Monday's 555m. Declines outnumbered advances by 587 to 285 with 109 issues unchanged.

As the yen broke through the Y160 barrier to the dollar on Monday, investors had difficulty selecting shares to buy. Most chose to await news of US Treasury Secretary James Baker's congressional testimony late yesterday and exchange rate movements in London and New York.

Domestic demand-oriented shares and blue-chips shed on small-lot selling. In this depressed market, speculative issues were spotlighted. Nichiro Gyogyo rallied Y59 to Y520 on widespread rumours of cornering. Kyokuyo added Y6 to Y378.

Toyo Soda, drawing strength from its development of a new weed killer, gained ground in the day's heaviest trading of 22.25m shares, but closed Y2 down at Y414.

Among the high-tech stocks favoured in the afternoon, Hitachi fell an early Y14, but finished Y1 down at Y880 on volume of 10.35m shares, the fourth busiest.

NEC dropped Y30 at one stage but closed up Y10 at Y1,450, and JVC fell Y80 but recovered to remain unchanged from Monday's close of Y3,060. But Sony eased Y40 to Y3,490 and Nippon Kogaku Y20 to Y1,100.

Elsewhere, Unitkia gained Y12 to Y290, Kawasaki Kisen Y12 to Y170 and Kawasho Corp Y35 to Y410. Nippon Eternit Pipe moved the daily maximum Y100 up to Y963. These gains were seen by many as resulting from a rush of buy orders to earn short-term profits.

Construction issues, which had helped stir recent buying interest in domestic-demand-related stocks, dipped on a wide front. Kajima Corp lost Y15 to Y780 and Tobishim Corp Y18 to Y765.

The stocks that led the market boom in March lost ground. Tokyo Electric Power shed Y40 to Y3,840 and Mitsubishi Estate Y50 to Y1,840.

Consumer stock Mitsukoshi eased Y35 to Y995. In contrast, Bridgestone Tire soared Y36 to Y692 and Lion Corp Y30 to Y1,030.

The bond market remained weak. Many investors, discouraged by the overnight fall in 30-year US government bond prices, were awaiting the terms of issuance of 10-year government bonds to be floated in June.

The yield on the bellwether 6.2 per cent government bond due in July 1995 rose to 4.82 per cent from Monday's 4.720 per cent. The yield on the 5.1 per cent government bond due in March 1996 climbed to 4.940 per cent from Monday's 4.635 per cent before slipping to 4.895 per cent at the close.

SINGAPORE

BARGAIN-HUNTING and short covering inspired a modest rally in Singapore and firmed the Straits Times industrial index 7.26 to 597.68. Volume swelled to 11m shares.

Among the most active OCBC was unchanged at S$6.30 on 653,000 shares traded, while Haw Par added 3 cents to S$2.02 on a turnover of 580,000 shares.

Fraser & Neave encountered steady buying and finished 10 cents ahead at S$5.90 while UOB, also active, picked up 16 cents to S$3.26.

Far East Levingston, which secured a significant shipbuilding contract, surged 24 cents to S$2.23. Its sister company Sembawang Shipyard rose 9 cents to S$1.22, while the parent Keppel added 10 cents to S$1.07.

EUROPE

Sombre tone weighs on industrials

THE SOMBRE mood continued in most European bourses yesterday with the lower dollar affecting trade in most industrials and export-earners.

Milan turned higher, however, as institutional investors stepped in to pick up issues which had traded lower over the past few sessions.

The firmer tone caught some traders by surprise in advance of the the usually lower mood ahead of the end-of-month position-squaring which falls due tomorrow.

De Benedetti companies were widely sought. Mediobanca, the merchant bank, rose L6,600 to L280,200, Italcementi, the cement group, added L2,200 to L78,200, and Italmobiliare, the Pesenti group holding company, rallied L7,900 to L144,900 while Toro Assicurazioni in the insurance sector rose L5,750 to a new peak of L61,500.

Buitoni, the foods group controlled by de Benedetti, finished at L14,100, up L3,100 from Friday's close. The group was suspended from trading on Monday after its gains exceeded trading limits. SME, a suspected takeover target for Buitoni, added L280 to L3,660.

Profit-taking sent Oslo lower following Monday's sharp rise which was sparked by Norway's 12 per cent currency devaluation.

Orkla Industrier dropped NKr 24 to NKr 257 while Hafslund gave up NKr 23 to NKr 225.

Stockholm was mixed, with Electrolux topping the active list. It rose SKr 3 to SKr 296.

Asea lost SKr 162 to SKr 330 after a one-for-two bonus share issue, and Boliden, the metals to mining group, dropped SKr 11 to SKr 169 as it announced the sale of its stake in the southern Swedish utility Sydkraft.

Frankfurt made a partial recovery late in the session, and prices ended off their lows of the day, but most sectors were mixed with an easier bias.

The Commerzbank index rose 18.4 to 1,981.6 after Monday's drop which took it through the 2,000 barrier.

Export-oriented car and chemical issues fell further. VW tumbled DM 17.20 to DM 561.50 – Audi expects net profits to fall this year – while Porsche, which sells more than 50 per cent of its cars in the US, gave relatively little ground and ended only 30 pfg lower at DM 1,080.

In the chemicals sector BASF dropped DM 2.60 to DM 277.90, and Hoechst shed DM 1.80 to DM 280 while Henkel declined DM 3 to DM 408.

Bonds continued lower, shedding as much as 70 basis points. The Bundesbank bought a moderate DM 28.9m worth of paper after purchasing DM 176.3m on Monday.

Banking and insurance issues pulled Zurich sharply down as investors reacted to the dollar's fall just below SFr 1.80. A number of capital increases on Monday also weighed on the market.

UBS lost SFr 150 to SFr 5,640 and Crédit Suisse SFr 50 to SFr 3,700. Among insurers, Swiss Re surrendered SFr 750 to SFr 18,400, and Zurich Insurance lost SFr 275 to SFr 8,450.

Amsterdam was again down as worries over the dollar, the upturn in domestic rates and the upcoming general election persisted.

Akzo shed Fl 1.70 to Fl 152.30 despite optimistic reports of an imminent truce in its costly patents battle with Du Pont.

Brussels turned mixed, and Madrid ended lower.

Paris eased as speculation grew that a new round of interest-rate cuts was imminent.

CANADA

INDUSTRIALS displayed some strength in Toronto as base metal and mining shares weakened.

Among the actives Cineplex Odeon traded C$⅝ higher to C$21⅞ after Monday's suspension on news that MCA had raised its stake in Cineplex to 50 per cent.

Massey-Ferguson firmed 5 cents to C$3.55 on consideration of results while Viceroy Resources added 10 cents to C$3.35.

Oil and gas issues made good progress in Montreal followed by mines and utilities.

SOUTH AFRICA

THE LETHARGY that gripped Johannesburg on Monday continued yesterday as gold shares drifted lower in the absence of any significant stimulus.

Buffels turned 50 cents lower to R70 while Ofsil firmed 25 cents to R80.25 ex-dividend.

Among mining financials Gencor added 25 cents to R43.75, and Impala in platinum stocks advanced 25 cents to R30.75.

Leading diamond miner De Beers was unchanged at R24.40.

LONDON

A FRESH wave of takeover bids in London injected fresh life into leading industrials and some [illegible] over favourites. Trading remained [illegible] overall while the hope that [illegible] might fall further was kept alive by some dealers.

Burmah Oil, which announced a [illegible] rights issue, retreated 22p to 335p in active trading. Allied-Lyons, also active, firmed 10p to 335p on bid speculation with Bats and North American drinks group Seagram cited as possible predators.

Gilts revived after an initial setback reflecting the overnight decline in the US bond market. Opening falls of [illegible] among longs were transformed into closing gains of up to ⅝. Index-linked issues met sustained demand with rises of [illegible] to ⅜.

The FT Ordinary index finished [illegible] higher at 1,341.2.

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HONG KONG

PROFIT-TAKING continued to dominate Hong Kong and forced the Hang Seng index 28.77 lower to 1,803.73.

Property and utility stocks suffered the most with Cheung Kong down 30 cents at HK$20.80, Hongkong & Kowloon Wharf 5 cents off at HK$8.30 and Sun Hung Kai Properties 10 cents cheaper at HK$12.70.

Among the utilities, China Light and Power sustained a 40-cent fall to HK$16.20, while Hongkong Electric was 10 cents down at a closing quote of HK$9.

Elsewhere, Hutchison Whampoa retreated 65 cents to HK$20.60 and Jardine Matheson slipped 40 cents to HK$12.80.

AUSTRALIA

WORSE-THAN-EXPECTED current account figures for April exacerbated an early decline in Sydney and pushed the All Ordinaries index down 16.5 to 1,201.8.

BHP moved against the trend with its 10 cent gain to A$7.52 on speculation that Bell Resources was considering a higher offer. Bell, which announced after the close that it would raise its bid to A$8.20 from A$7.70, firmed 15 cents to A$4, while parent Bell Group slipped 5 cents to A$8.40. Elders IXL held steady at A$4.40 and Adelaide Steamship slipped 30 cents to A$13.80.

Mines suffered hefty early losses but recovered some late ground. CRA finished 10 cents cheaper at A$5.92.